

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 81**

**Witness: Barry R. Walker**

Q-81. Please provide a narrative explanation of a typical Main and Service replacement project.

A-81. A typical main and service replacement project falls into one of 2 categories:

1. Large Scale Main Replacement – The existing low-pressure system (primarily composed of bare steel and cast iron mains and services) is systematically replaced with smaller diameter pipe operating at a higher pressure (typically 35 psig). Typically, a main is installed using directional drilling technology. After installation, a main is tested, purged, and placed into service.

A service crew then installs new services and regulation equipment. Any meters previously installed inside a customer's premises are relocated to the outside if feasible.

Once the service work is completed on a section of the system, cutouts are performed. These activities include: isolation of the main to be abandoned from the live gas system, purging the abandoned line and capping the abandoned main.

2. Priority Main Replacement – These projects typically consist of the replacement of low pressure bare steel and cast iron mains with similar sized plastic mains operating at low pressure. The projects are typically approximately 1,000 feet in length and include the replacement of company services.



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Response to the Attorney General's  
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Case No. 2007-00564

Question No. 82

Witness: Barry R. Walker

Q-82. Please provide a sample work order showing the retirement of a gas main.

A-82. Provided below is an example work report for the retirement of a gas main.

LOUISVILLE GAS AND ELECTRIC COMPANY  
GAS CONSTRUCTION AND MAINTENANCE MAIN WORK REPORT

DATE: \_\_\_\_\_  
TIME: \_\_\_\_\_

56447

GAS NO. _____ FMS <u>56447</u> WOTYPE <u>RmH</u> CREW: <u>439</u>		WORK REQUESTED: _____	
LOC: <u>3200-3300 Blk Richard ave</u>		SPECIAL INFO: _____	
BETWEEN <u>McCready ave</u> AND <u>CANNON LN</u>		REQUESTED BY: _____ PHONE: _____	
CITY: <u>LOU</u> ST: <u>XX</u> MAP PAGE: _____		LEAK INFO: GRADE: _____ FED LAND: _____ SYSTEM: _____ OCCURRED ON: _____ PART: _____ CAUSE: _____	
MAIN #. <u>56447</u> SIZE: <u>16.00</u> " PRESS: <u>6</u>		EXISTING MAIN# _____ SIZE _____ " MAT _____ SOIL TYPE _____	
MAT: <u>BS</u> LENGTH: <u>1000</u> " DEPTH: <u>3.30</u> ' COAT COND: _____ EXTERNAL: _____ INTERNAL: _____		PIPE TO SOIL POTENTIAL: _____ " " " " HV PART TESTED: _____	
LOC: <u>20.00</u> ' S OF N <u>5/16 Richard ave</u>		PIPE TO SOIL POTENTIAL: _____ " " " " HV PART TESTED: _____	
CUMMINGS: <u>16.00</u> ' S OF N <u>5/16 Richard ave</u>		TEST STATION(S) INSTALLED: _____ ANODE(S) INSTALLED: _____	
4" PL OUTSIDE <u>18.13</u> ' E OF N <u>5/16 McCready ave</u>		NUMBER OF CUTS: _____ TYPE: _____ SIZE: _____	
TERMINATES: <u>41.00</u> ' E OF W <u>5/16 CANNON LN</u>		WORK PERFORMED: <u>RmH</u> REMARKS: <u>CV + 004 1000 ft. 6" BS.</u>	
6" PL OUTSIDE <u>45.00</u> ' S OF N <u>5/16 Richard ave</u>		L.D. MAIN	
BRANCHES # LONG # SHORT MAT _____ SIZE _____		DATE: <u>4/10/06</u> ARRIVED: _____ DEPARTED: _____	
AVG LEN _____ AVG LEN _____		GAS OFF: _____ GAS ON: _____ MAN HOURS: _____	
PIPE JOINT TYPE: _____ TEST PRESSURE: _____ UNIT: _____		COMPLETED: <u>0</u> H WEATHER: <u>FAIR</u> INCLEMENT <u>SEVERE</u>	
MEDIUM: _____ DURATION: _____ RESULTS: _____		EMPLOYEE ID: <u>3497</u> <u>Rudolph</u>	
CONT <u>Miller</u> FOREMAN: <u>M. Burwick</u>		INSTALLATION METHOD _____ DIRECTIONAL BORE _____ OPEN CUT <input checked="" type="checkbox"/> OTHER _____	
INSTALLER: _____ WELDER: _____		(SKETCH AREA)	



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
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**Case No. 2007-00564**

**Question No. 83**

**Witness: Shannon L. Charnas**

Q-83. Provide a copy of the Order and any associated Settlement Agreement in Case No. 2001-00141 establishing the present depreciation rates, as well as a copy of the depreciation study underlying those rates.

A-83. Please see the following files included on the attached CD:

- 200100140\_00141\_120301\_Order
- 200100141\_120301\_ApxA
- 200100141\_LGE-DEP-STUDY-FILED 2-01



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
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**Case No. 2007-00564**

**Question No. 84**

**Witness: Shannon L. Charnas**

Q-84. Please provide a copy of the most recent prior depreciation study, i.e., the one submitted in Case No. 2003-00433.

A-84. Please see the files entitled "2003-00433\_EMR\_LGE Elec Dep Study" and "2003-00433\_EMR\_LGE Gas and Common Dep Study" on the attached CD.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 85**

**Witness: John J. Spanos**

Q-85. Identify and explain all changes between the current study and the most recent prior study.

A-85. The current study and the most recent prior study have differences in life, curve, net salvage percent, probable retirement date, depreciation procedure, reserve to plant ratio and plant activity. The attached tables set forth the life, curve, net salvage percent and probable retirement date differences.

The proposed depreciation parameters were the result of a detailed and comprehensive depreciation study, reflecting both an analysis of the historical data, as well as consideration of current and prospective factors, that will impact the average life and net salvage to be achieved by each of the Company's property groups.

Each of the applicable life and salvage parameters were utilized together with the surviving plant in service by vintage and book depreciation reserve at December 31, 2006 with the equal life group procedure and remaining life method to develop the property group and/or location level annual depreciation rate.

The net changes in the annual depreciation rates are the result of the changes in the Company's plant account level balances, age of the surviving plant in service, book depreciation reserve and changes in the underlying service life and salvage parameters.

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

COMPARISON OF PROBABLE RETIREMENT DATE, SURVIVOR CURVE AND NET SALVAGE  
PROPOSED VS. MOST RECENT STUDY

ACCOUNT (1)	PROPOSED			MOST RECENT STUDY		
	PROBABLE RETIREMENT DATE (2)	SURVIVOR CURVE (3)	NET SALVAGE PERCENT (4)	PROBABLE RETIREMENT DATE (5)	SURVIVOR CURVE (6)	NET SALVAGE PERCENT (7)
<b>DEPRECIABLE PLANT</b>						
<b>STEAM PRODUCTION PLANT</b>						
311 00	<b>STRUCTURES AND IMPROVEMENTS</b>					
	2006	100-S1 5	(10)	2020	120-S1	(0.9)
	2006	100-S1 5	(10)	2020	120-S1	(0.9)
	2006	100-S1 5	(10)	2020	120-S1	(0.9)
	2018	100-S1 5	(10)	2020	120-S1	(26.1)
	2018	100-S1 5	(10)	2020	120-S1	(26.1)
	2022	100-S1 5	(10)	2020	120-S1	(21.9)
	2022	100-S1 5	(10)	2020	120-S1	(21.9)
	2023	100-S1 5	(10)	2020	120-S1	(9.1)
	2023	100-S1 5	(10)	2020	120-S1	(9.1)
	2026	100-S1 5	(10)	2020	120-S1	(11.5)
	2026	100-S1 5	(10)	2020	120-S1	(11.5)
	2026	100-S1 5	(10)	2022	120-S1	(19.0)
	2026	100-S1 5	(10)	2022	120-S1	(19.0)
	2036	100-S1 5	(10)	2026	120-S1	(12.0)
	2036	100-S1 5	(10)	2026	120-S1	(12.0)
	2036	100-S1 5	(10)	2030	120-S1	(6.5)
	2036	100-S1 5	(10)	2030	120-S1	(6.5)
	2036	100-S1 5	(10)	2034	120-S1	(3.0)
	2036	100-S1 5	(10)	2034	120-S1	(3.0)
312 00	<b>BOILER PLANT EQUIPMENT</b>					
		25-R2	20	2020	50-L0 5	(26.1)
		25-R2	20	2020	50-L0 5	(26.1)
	2006	45-R1 5	(30)	2020	50-L0 5	(7.6)
	2006	45-R1 5	(30)	2020	50-L0 5	(7.6)
	2006	45-R1 5	(30)	2020	50-L0 5	(7.6)
	2018	45-R1 5	(30)	2020	50-L0 5	(13.5)
	2018	45-R1 5	(30)	2018	50-L0 5	(13.5)
	2022	45-R1 5	(30)	2020	50-L0 5	(16.7)
	2022	45-R1 5	(30)	2018	50-L0 5	(16.7)
	2023	45-R1 5	(30)	2020	50-L0 5	(14.8)
	2023	45-R1 5	(30)	2018	50-L0 5	(14.8)
		25-R2	20	2030	50-L0 5	(7.6)
		25-R2	20	2030	50-L0 5	(7.6)
	2026	45-R1 5	(30)	2020	50-L0 5	(15.9)
	2026	45-R1 5	(30)	2017	50-L0 5	(15.9)
	2026	45-R1 5	(30)	2022	50-L0 5	(17.6)
	2026	45-R1 5	(30)	2018	50-L0 5	(17.6)
	2036	45-R1 5	(30)	2026	50-L0 5	(13.7)
	2036	45-R1 5	(30)	2021	50-L0 5	(13.7)
	2036	45-R1 5	(30)	2030	50-L0 5	(10.6)
	2036	45-R1 5	(30)	2023	50-L0 5	(10.6)
	2036	45-R1 5	(30)	2034	50-L0 5	(9.7)
	2036	45-R1 5	(30)	2027	50-L0 5	(8.5)
314 00	<b>TURBOGENERATOR UNITS</b>					
	2006	50-S1 5	(10)	2020	50-S1 5	(4.2)
	2006	50-S1 5	(10)	2020	50-S1 5	(4.2)
	2006	50-S1 5	(10)	2020	50-S1 5	(4.2)
	2018	50-S1 5	(10)	2020	50-S1 5	(9.9)
	2022	50-S1 5	(10)	2020	50-S1 5	(13.1)
	2023	50-S1 5	(10)	2020	50-S1 5	(11.4)
	2026	50-S1 5	(10)	2020	50-S1 5	(12.1)
	2026	50-S1 5	(10)	2022	50-S1 5	(11.3)
	2036	50-S1 5	(10)	2026	50-S1 5	(9.4)
	2036	50-S1 5	(10)	2030	50-S1 5	(6.8)
	2036	50-S1 5	(10)	2034	50-S1 5	(5.9)

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

COMPARISON OF PROBABLE RETIREMENT DATE, SURVIVOR CURVE AND NET SALVAGE  
PROPOSED VS. MOST RECENT STUDY

ACCOUNT	PROPOSED			MOST RECENT STUDY		
	PROBABLE RETIREMENT DATE	SURVIVOR CURVE	NET SALVAGE PERCENT	PROBABLE RETIREMENT DATE	SURVIVOR CURVE	NET SALVAGE PERCENT
(1)	(2)	(3)	(4)	(5)	(6)	(7)
315.00	ACCESSORY ELECTRIC EQUIPMENT					
	CANE RUN UNIT 1	2006	50-S2	(5)	2020	55-S1 (5.4)
	CANE RUN UNIT 2	2006	50-S2	(5)	2020	55-S1 (5.4)
	CANE RUN UNIT 3	2006	50-S2	(5)	2020	55-S1 (5.4)
	CANE RUN UNIT 4	2018	50-S2	(5)	2020	55-S1 (8.0)
	CANE RUN-SO2 UNIT 4	2018	50-S2	(5)	2018	55-S1 (8.0)
	CANE RUN UNIT 5	2022	50-S2	(5)	2020	55-S1 (8.0)
	CANE RUN-SO2 UNIT 5	2022	50-S2	(5)	2018	55-S1 (8.0)
	CANE RUN UNIT 6	2023	50-S2	(5)	2020	55-S1 (8.3)
	CANE RUN-SO2 UNIT 6	2023	50-S2	(5)	2018	55-S1 (8.3)
	MILL CREEK UNIT 1	2026	50-S2	(5)	2020	55-S1 (7.5)
	MILL CREEK-SO2 UNIT 1	2026	50-S2	(5)	2017	55-S1 (7.5)
	MILL CREEK UNIT 2	2026	50-S2	(5)	2022	55-S1 (9.5)
	MILL CREEK-SO2 UNIT 2	2026	50-S2	(5)	2018	55-S1 (9.5)
	MILL CREEK UNIT 3	2036	50-S2	(5)	2026	55-S1 (8.3)
	MILL CREEK-SO2 UNIT 3	2036	50-S2	(5)	2021	55-S1 (8.3)
	MILL CREEK UNIT 4	2036	50-S2	(5)	2030	55-S1 (10.9)
	MILL CREEK-SO2 UNIT 4	2036	50-S2	(5)	2023	55-S1 (10.9)
	TRIMBLE COUNTY - UNIT 1	2036	50-S2	(5)	2034	55-S1 (7.6)
	TRIMBLE COUNTY - SO2 UNIT 1	2036	50-S2	(5)	2027	55-S1 (7.6)
316.00	MISCELLANEOUS PLANT EQUIPMENT					
	CANE RUN UNIT 1	2006	40-S2	(5)	2020	35-S2 (11.8)
	CANE RUN UNIT 3	2006	40-S2	(5)	2020	35-S2 (11.8)
	CANE RUN UNIT 4	2018	40-S2	(5)	2020	35-S2 (22.7)
	CANE RUN-SO2 UNIT 4	2018	40-S2	(5)	2018	35-S2 0.0
	CANE RUN UNIT 5	2022	40-S2	(5)	2020	35-S2 (29.4)
	CANE RUN-SO2 UNIT 5	2022	40-S2	(5)	2018	35-S2 (29.4)
	CANE RUN UNIT 6	2023	40-S2	(5)	2020	35-S2 (12.3)
	CANE RUN-SO2 UNIT 6	2023	40-S2	(5)	2018	35-S2 (12.3)
	MILL CREEK UNIT 1	2026	40-S2	(5)	2020	35-S2 (13.8)
	MILL CREEK UNIT 2	2026	40-S2	(5)	2022	35-S2 (24.0)
	MILL CREEK UNIT 3	2036	40-S2	(5)	2026	35-S2 (17.0)
	MILL CREEK UNIT 4	2036	40-S2	(5)	2030	35-S2 (13.8)
	MILL CREEK-SO2 UNIT 4	2036	40-S2	(5)	2023	35-S2 (13.8)
	TRIMBLE COUNTY - UNIT 1	2036	40-S2	(5)	2034	35-S2 (15.1)
<b>HYDROELECTRIC PRODUCTION PLANT</b>						
331.00	STRUCTURES AND IMPROVEMENTS					
	OHIO FALLS - NON-PROJECT	2036	100-S2.5	(5)	2035	140-L1.5 (5.1)
	OHIO FALLS - PROJECT 289	2036	100-S2.5	(5)	2035	140-L1.5 (11.2)
332.00	RESERVOIRS, DAMS & WATERWAY					
	OHIO FALLS - PROJECT 289	2036	100-S2.5	(5)	2035	150-L1.5 (52.7)
333.00	WATER WHEELS, TURBINES & GENERATORS					
	OHIO FALLS - PROJECT 289	2036	100-S2.5	(10)	2035	150-L1.5 (14.3)
334.00	ACCESSORY ELECTRIC EQUIPMENT					
	OHIO FALLS - PROJECT 289	2036	80-S4	(5)	2035	55-S1 (22.2)
335.00	MISCELLANEOUS PLANT EQUIPMENT					
	OHIO FALLS - NON-PROJECT	2036	80-S3	(10)	2035	35-S2 (21.8)
	OHIO FALLS - PROJECT 289	2036	80-S3	(10)	2035	35-S2 (31.2)
336.00	ROADS, RAILROADS & BRIDGES					
	OHIO FALLS - NON-PROJECT	2036	80-S4	0	2035	150-L1 0.0
	OHIO FALLS - PROJECT 289	2036	80-S4	0	2035	150-L1 0.0
<b>OTHER PRODUCTION PLANT</b>						
341.00	STRUCTURES AND IMPROVEMENTS					
	CANE RUN GT 11	2010	55-R3	(5)	2010	80-L1 (24.3)
	ZORN AND RIVER ROAD GAS TURBINE	2010	55-R3	(5)	2010	80-L1 (214.1)
	PADDY'S RUN-GENERATOR 12	2010	55-R3	(5)	2010	80-L1 (76.6)
	PADDY'S RUN-GENERATOR 13	2036	55-R3	(5)	2031	80-L1 (6.0)
	BROWN COMBUSTION TURBINE #5	2036	55-R3	(5)	2031	80-L1 (9.1)
	E W BROWN # 6	2036	55-R3	(5)	2028	80-L1 (83.0)
	E W BROWN # 7	2036	55-R3	(5)	2029	80-L1 (29.5)

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

COMPARISON OF PROBABLE RETIREMENT DATE, SURVIVOR CURVE AND NET SALVAGE  
PROPOSED VS. MOST RECENT STUDY

ACCOUNT	PROPOSED			MOST RECENT STUDY		
	PROBABLE RETIREMENT DATE	SURVIVOR CURVE	NET SALVAGE PERCENT	PROBABLE RETIREMENT DATE	SURVIVOR CURVE	NET SALVAGE PERCENT
(1)	(2)	(3)	(4)	(5)	(6)	(7)
341.00	STRUCTURES AND IMPROVEMENTS. cont					
	TRIMBLE COUNTY #5	2036	55-R3	(5)	2032	80-L1 (4.7)
	TRIMBLE COUNTY #6	2036	55-R3	(5)	2032	80-L1 (4.7)
	TRIMBLE COUNTY #7	2036	55-R3	(5)		
	TRIMBLE COUNTY #8	2036	55-R3	(5)		
	TRIMBLE COUNTY #9	2036	55-R3	(5)		
	TRIMBLE COUNTY #10	2036	55-R3	(5)		
342.00	FUEL HOLDERS, PRODUCERS AND ACCESSORIES					
	CANE RUN GT 11	2010	50-R3	(5)	2010	80-L1 (13.4)
	ZORN AND RIVER ROAD GAS TURBINE	2010	50-R3	(5)	2010	80-L1 (145.6)
	PADDY'S RUN-GENERATOR 11	2010	50-R3	(5)	2010	80-L1 (179.4)
	PADDY'S RUN-GENERATOR 12	2010	50-R3	(5)	2010	80-L1 (280.3)
	PADDY'S RUN-GENERATOR 13	2036	50-R3	(5)	2031	80-L1 (4.4)
	BROWN COMBUSTION TURBINE #5	2036	50-R3	(5)	2031	80-L1 (8.2)
	E W BROWN # 6	2036	50-R3	(5)	2028	80-L1 (34.5)
	E W BROWN # 7	2036	50-R3	(5)	2029	80-L1 (71.1)
	TRIMBLE COUNTY #5	2036	50-R3	(5)	2032	80-L1 (47.3)
	TRIMBLE COUNTY #6	2036	50-R3	(5)	2032	80-L1 (47.3)
	TRIMBLE COUNTY CT PIPELINE	2036	50-R3	(5)	2034	80-L1 -
	TRIMBLE COUNTY #7	2036	50-R3	(5)		
	TRIMBLE COUNTY #8	2036	50-R3	(5)		
	TRIMBLE COUNTY #9	2036	50-R3	(5)		
	TRIMBLE COUNTY #10	2036	50-R3	(5)		
343.00	PRIME MOVERS					
	PADDY'S RUN-GENERATOR 13	2036	30-R2	(5)	2031	80-L1 (3.4)
	BROWN COMBUSTION TURBINE #5	2036	30-R2	(5)	2031	80-L1 (3.3)
	E W BROWN # 6	2036	30-R2	(5)	2028	80-L1 (2.8)
	E W BROWN # 7	2036	30-R2	(5)	2029	80-L1 (2.8)
	TRIMBLE COUNTY #5	2036	30-R2	(5)	2032	80-L1 (3.0)
	TRIMBLE COUNTY #6	2036	30-R2	(5)	2032	80-L1 (3.0)
	TRIMBLE COUNTY #7	2036	30-R2	(5)		
	TRIMBLE COUNTY #8	2036	30-R2	(5)		
	TRIMBLE COUNTY #9	2036	30-R2	(5)		
	TRIMBLE COUNTY #10	2036	30-R2	(5)		
344.00	GENERATORS					
	CANE RUN GT 11	2010	60-S3	(5)	2010	80-L1 (3.5)
	ZORN AND RIVER ROAD GAS TURBINE	2010	60-S3	(5)	2010	80-L1 (4.8)
	PADDY'S RUN-GENERATOR 11	2010	60-S3	(5)	2010	80-L1 (5.1)
	PADDY'S RUN-GENERATOR 12	2010	60-S3	(5)	2010	80-L1 (5.3)
	PADDY'S RUN-GENERATOR 13	2036	60-S3	(5)	2031	80-L1 (7.3)
	BROWN COMBUSTION TURBINE #5	2036	60-S3	(5)	2031	80-L1 (9.0)
	E W BROWN # 6	2036	60-S3	(5)	2028	80-L1 (11.6)
	E W BROWN # 7	2036	60-S3	(5)	2029	80-L1 (11.6)
	TRIMBLE COUNTY #5	2036	60-S3	(5)	2032	80-L1 (12.5)
	TRIMBLE COUNTY #6	2036	60-S3	(5)	2032	80-L1 (12.5)
344.00	GENERATORS. cont					
	TRIMBLE COUNTY #7	2036	60-S3	(5)		
	TRIMBLE COUNTY #8	2036	60-S3	(5)		
	TRIMBLE COUNTY #9	2036	60-S3	(5)		
	TRIMBLE COUNTY #10	2036	60-S3	(5)		
345.00	ACCESSORY ELECTRIC EQUIPMENT					
	CANE RUN GT 11	2010	35-S1.5	0	2010	55-S1 (7.5)
	ZORN AND RIVER ROAD GAS TURBINE	2010	35-S1.5	0	2010	55-S1 (21.4)
	PADDY'S RUN-GENERATOR 11	2010	35-S1.5	0	2010	55-S1 (11.9)
	PADDY'S RUN-GENERATOR 12	2010	35-S1.5	0	2010	55-S1 (14.4)
	PADDY'S RUN-GENERATOR 13	2036	35-S1.5	0	2031	55-S1 (2.6)
	BROWN COMBUSTION TURBINE #5	2036	35-S1.5	0	2031	55-S1 (2.2)
	E W BROWN # 6	2036	35-S1.5	0	2028	55-S1 (4.2)
	E W BROWN # 7	2036	35-S1.5	0	2029	55-S1 (4.2)
	TRIMBLE COUNTY #5	2036	35-S1.5	0	2032	55-S1 (4.0)
	TRIMBLE COUNTY #6	2036	35-S1.5	0	2032	55-S1 (4.0)
	TRIMBLE COUNTY #7	2036	35-S1.5	0		
	TRIMBLE COUNTY #8	2036	35-S1.5	0		
	TRIMBLE COUNTY #9	2036	35-S1.5	0		
	TRIMBLE COUNTY #10	2036	35-S1.5	0		



LOUISVILLE GAS AND ELECTRIC  
GAS PLANTCOMPARISON OF PROBABLE RETIREMENT DATE, SURVIVOR CURVE AND NET SALVAGE  
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ACCOUNT (1)	PROPOSED			MOST RECENT STUDY		
	PROBABLE RETIREMENT DATE (2)	SURVIVOR CURVE (3)	NET SALVAGE PERCENT (4)	PROBABLE RETIREMENT DATE (5)	SURVIVOR CURVE (6)	NET SALVAGE PERCENT (7)
<b>DEPRECIABLE PLANT</b>						
<b>PRODUCTION PLANT</b>						
350 20	RIGHTS OF WAY	55-R4	0	50-R2.5		0
351 20	COMPRESSOR STATION STRUCTURES	50-R2.5	(5)	120-L0.5		(5)
351 30	MEASURING AND REGULATING STATION STRUCTURES	55-R2.5	(5)	150-L0.5		(5)
351 40	OTHER STRUCTURES	50-R3	(5)	130-L0.5		(5)
352 10	STORAGE LEASEHOLDS AND RIGHTS	65-R4	0			
352 20	RESERVOIRS	55-R4	0	40-SQ		(5)
352 30	NONRECOVERABLE NATURAL GAS	50-SQ	0	45-SQ		0
352 40	WELL DRILLING	55-R2.5	(20)	55-R3		(20)
352 50	WELL EQUIPMENT	50-R2.5	(20)	50-R3		(20)
353 00	LINES	45-S1	(10)	40-L2		(10)
354 00	COMPRESSOR STATION EQUIPMENT	50-R3	(5)	45-R4		(5)
355 00	MEASURING AND REGULATING EQUIPMENT	40-R1	(5)	44-R0.5		(5)
356 00	PURIFICATION EQUIPMENT	45-R2	(15)	40-R3		(25)
357 00	OTHER EQUIPMENT	40-R2	0	35-R2		0
<b>TRANSMISSION PLANT</b>						
365 20	RIGHTS OF WAY	65-S3	0	50-R2.5		0
367 00	MAINS	65-R2.5	(10)	55-R3		(20)
<b>DISTRIBUTION PLANT</b>						
374 22	OTHER DISTRIBUTION LAND RIGHTS	65-S3	0	50-R2.5		0
375 10	STRUCTURES & IMPROVEMENTS - CITY GATE STATION	55-R3	(5)	150-L1		(5)
375 20	STRUCTURES & IMPROVEMENTS - OTHER DISTRIBUTION	30-L1	(5)	27-L2		(5)
376 00	MAINS	65-R2.5	(30)	55-R3		(35)
378 00	MEASURING AND REGULATING STATION EQUIP-GENERAL	41-S0	(10)	45-S0.5		(10)
379 00	MEASURING AND REGULATING STATION EQUIP-CITY GATE	45-S1	(15)	44-R0.5		(5)
380 00	SERVICES	42-S0	(55)	35-R2.5		(55)
381 00	METERS	31-R1.5	0	31-S6		0
382 00	METER INSTALLATIONS	20-L0	0	31-R4		(10)
383 00	HOUSE REGULATORS	45-R3	(5)	45-R4		(15)
384 00	HOUSE REGULATOR INSTALLATIONS	45-R2	(5)	45-S6		0
385 00	MEASURING AND REGULATING STATION EQUIPMENT	40-S2.5	0	45-R2		(5)
387 00	OTHER EQUIPMENT	40-S2	0	40-L2		0
<b>GENERAL PLANT</b>						
392 20	TRANSPORTATION EQUIPMENT - TRAILERS	20-L1	5	20-L0.5		0
394 00	TOOLS, SHOP, AND GARAGE EQUIPMENT	25-SQ	0	32-L4		5
395 00	LABORATORY EQUIPMENT	15-SQ	0	30-L3		5
396 20	POWER OPERATED EQUIPMENT - OTHER	25-R1.5	5	25-R1.5		0

LOUISVILLE GAS AND ELECTRIC  
COMMON PLANT

COMPARISON OF PROBABLE RETIREMENT DATE, SURVIVOR CURVE AND NET SALVAGE  
PROPOSED VS. MOST RECENT STUDY

ACCOUNT (1)	PROPOSED			MOST RECENT STUDY		
	PROBABLE RETIREMENT DATE (2)	SURVIVOR CURVE (3)	NET SALVAGE PERCENT (4)	PROBABLE RETIREMENT DATE (5)	SURVIVOR CURVE (6)	NET SALVAGE PERCENT (7)
DEPRECIABLE PLANT						
STRUCTURES AND IMPROVEMENTS						
390 10	GENERAL OFFICE	35-R2	(10)	90-L1		(10)
390 20	TRANSPORTATION	25-R2 5	(5)	100-L2		(10)
390 30	STORES	45-R3	(5)	95-L0 5		(10)
390 40	SHOPS	45-R4	(5)	90-L1.5		(10)
390 60	MICROWAVE	45-R3	(5)	85-L1		(10)
OFFICE FURNITURE AND EQUIPMENT						
391 10	FURNITURE	20-SQ	0	32-R2 5		0
391 20	EQUIPMENT	15-SQ	0	32-R2 5		0
391 30	COMPUTER EQUIPMENT	5-SQ	0	32-R2 5		0
391 31	PERSONAL COMPUTER	4-SQ	0	32-R2 5		0
391 40	SECURITY EQUIPMENT	10-SQ	0	32-R2 5		0
392 00	TRANSPORTATION EQUIPMENT - TRAILERS	27-O1	5	25-L0		30
393 00	STORES EQUIPMENT	25-SQ	0	33-R2		5
394 00	TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	0	20-L2		5
395 00	LABORATORY EQUIPMENT	15-SQ	0	18-R3		0
396 00	POWER OPERATED EQUIPMENT - OTHER	25-S1 5	10	23-S2		15
397 00	COMMUNICATION EQUIPMENT	15-SQ	0	15-R1		0
397 10	COMMUNICATION EQUIPMENT - COMPUTER	15-SQ	0	10-R5		0
398 00	MISCELLANEOUS EQUIPMENT	10-SQ	0	20-R3		0

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 86**

**Witness: John J. Spanos**

- Q-86. Please provide the current depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.
- A-86. The attached document sets forth the current depreciation rates split into the three components.

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

CALCULATED ANNUAL ACCRUAL RATE BY  
COMPONENTS USING CURRENT RATES AS OF DECEMBER 31, 2006

ACCOUNT (1)	NET SALVAGE PERCENT (2)	ORIGINAL COST (3)	CALCULATED ANNUAL ACCRUAL RATE (4)	CAPITAL RECOVERY ACCRUAL RATE (5)	COST OF REMOVAL ACCRUAL RATE (6)	GROSS SALVAGE ACCRUAL RATE (7)
<b>DEPRECIABLE PLANT</b>						
<b>STEAM PRODUCTION PLANT</b>						
311 00						
STRUCTURES AND IMPROVEMENTS						
CANE RUN UNIT 1	0	4,233,981.48	0.00	0.00	0.00	0.00
CANE RUN UNIT 2	0	2,102,942.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 3	0	3,532,140.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 4	(10)	3,819,018.35	2.94	2.01	0.33	0.00
CANE RUN-SO2 UNIT 4	(10)	760,360.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 5	(10)	6,165,918.13	2.87	2.55	0.32	0.00
CANE RUN-SO2 UNIT 5	(10)	1,696,435.00	1.77	1.58	0.19	0.00
CANE RUN UNIT 6	(10)	19,346,501.56	3.06	2.72	0.34	0.00
CANE RUN-SO2 UNIT 6	(10)	1,894,852.32	2.18	1.95	0.23	0.00
MILL CREEK UNIT 1	(7.5)	19,168,217.08	2.39	2.17	0.22	0.00
MILL CREEK-SO2 UNIT 1	(7.5)	1,716,995.60	3.00	3.47	0.43	0.00
MILL CREEK UNIT 2	(7.5)	10,812,787.99	2.29	2.06	0.23	0.00
MILL CREEK-SO2 UNIT 2	(7.5)	1,393,404.00	3.00	3.55	0.44	0.00
MILL CREEK UNIT 3	(7.5)	24,963,587.02	3.03	2.67	0.36	0.00
MILL CREEK-SO2 UNIT 3	(7.5)	362,867.00	4.54	4.05	0.46	0.00
MILL CREEK UNIT 4	(7.5)	60,311,484.02	2.82	2.50	0.32	0.00
MILL CREEK-SO2 UNIT 4	(7.5)	5,307,313.20	5.38	4.82	0.56	0.00
TRIMBLE COUNTY - UNIT 1	(3)	160,498,043.70	2.41	2.18	0.23	0.00
TRIMBLE COUNTY - SO2 UNIT 1	(3)	511,308.94	3.47	3.07	0.40	0.00
<b>TOTAL ACCOUNT 311 - STRUCTURES AND IMPROVEMENTS</b>		<b>328,598,167.30</b>				
312 00						
BOILER PLANT EQUIPMENT						
CANE RUN LOCOMOTIVE	0	51,549.42	0.00	0.00	0.00	0.00
CANE RUN LOCOMOTIVE - RAILCARS	20	1,501,772.81	2.27	2.85	0.00	(0.38)
CANE RUN UNIT 1	0	1,053,742.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 2	0	132,837.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 3	0	711,484.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 4	(10)	30,277,226.79	2.94	2.70	0.33	(0.09)
CANE RUN-SO2 UNIT 4	(10)	17,091,727.81	0.00	0.00	0.00	0.00
CANE RUN UNIT 5	(10)	34,767,159.48	2.87	2.63	0.32	(0.08)
CANE RUN-SO2 UNIT 5	(10)	28,107,437.90	1.77	1.63	0.19	(0.05)
CANE RUN UNIT 6	(10)	47,135,674.34	3.06	2.82	0.34	(0.10)
CANE RUN-SO2 UNIT 6	(10)	32,184,156.61	2.18	2.01	0.23	(0.06)
MILL CREEK LOCOMOTIVE	20	613,424.43	2.15	2.51	0.00	(0.36)
MILL CREEK LOCOMOTIVE RAILCARS	20	3,593,111.63	2.17	2.53	0.00	(0.36)
MILL CREEK UNIT 1	(7.5)	47,559,197.98	2.39	2.24	0.22	(0.07)
MILL CREEK-SO2 UNIT 1	(7.5)	42,349,730.64	3.90	3.61	0.43	(0.14)
MILL CREEK UNIT 2	(7.5)	47,357,145.83	2.29	2.12	0.23	(0.06)
MILL CREEK-SO2 UNIT 2	(7.5)	34,424,938.00	3.99	3.69	0.44	(0.14)
MILL CREEK UNIT 3	(7.5)	137,324,677.88	3.03	2.77	0.36	(0.10)
MILL CREEK-SO2 UNIT 3	(7.5)	63,097,998.79	4.54	4.25	0.48	(0.19)
MILL CREEK UNIT 4	(7.5)	237,604,471.44	2.82	2.55	0.32	(0.05)
MILL CREEK-SO2 UNIT 4	(7.5)	113,648,645.53	5.38	5.02	0.56	(0.20)
TRIMBLE COUNTY - UNIT 1	(3)	246,928,938.61	2.41	2.35	0.23	(0.17)
TRIMBLE COUNTY - SO2 UNIT 1	(3)	63,159,341.63	3.47	3.18	0.40	(0.11)
<b>TOTAL ACCOUNT 312 - BOILER PLANT EQUIPMENT</b>		<b>1,230,676,390.55</b>				
314 00						
TURBOGENERATOR UNITS						
CANE RUN UNIT 1	0	106,008.99	0.00	0.00	0.00	0.00
CANE RUN UNIT 2	0	19,999.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 3	0	581,177.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 4	(10)	9,122,982.05	2.94	2.70	0.33	(0.09)
CANE RUN UNIT 5	(10)	7,375,364.74	2.87	2.63	0.32	(0.08)
CANE RUN UNIT 6	(10)	14,984,949.73	3.06	2.82	0.34	(0.10)
MILL CREEK UNIT 1	(7.5)	14,332,084.36	2.39	2.24	0.22	(0.07)
MILL CREEK UNIT 2	(7.5)	16,826,879.81	2.29	2.12	0.23	(0.06)
MILL CREEK UNIT 3	(7.5)	27,112,329.06	3.03	2.77	0.36	(0.10)
MILL CREEK UNIT 4	(7.5)	42,108,819.15	2.82	2.55	0.32	(0.05)
TRIMBLE COUNTY - UNIT 1	(3)	66,954,098.52	2.41	2.35	0.23	(0.17)
<b>TOTAL ACCOUNT 314 - TURBOGENERATOR UNITS</b>		<b>189,324,692.41</b>				
315 00						
ACCESSORY ELECTRIC EQUIPMENT						
CANE RUN UNIT 1	0	1,891,012.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 2	0	1,277,223.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 3	0	767,325.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 4	(10)	5,474,319.06	2.94	2.61	0.33	0.00
CANE RUN-SO2 UNIT 4	(10)	987,949.00	0.00	0.00	0.00	0.00
CANE RUN UNIT 5	(10)	6,856,291.05	2.87	2.55	0.32	0.00
CANE RUN-SO2 UNIT 5	(10)	2,216,498.98	1.77	1.58	0.19	0.00
CANE RUN UNIT 6	(10)	8,571,566.71	3.06	2.72	0.34	0.00
CANE RUN-SO2 UNIT 6	(10)	2,124,667.00	2.18	1.95	0.23	0.00
MILL CREEK UNIT 1	(7.5)	14,425,285.62	2.39	2.17	0.22	0.00
MILL CREEK-SO2 UNIT 1	(7.5)	5,541,695.00	3.90	3.47	0.43	0.00
MILL CREEK UNIT 2	(7.5)	6,428,715.51	2.29	2.06	0.23	0.00
MILL CREEK-SO2 UNIT 2	(7.5)	4,605,053.40	3.99	3.55	0.44	0.00
MILL CREEK UNIT 3	(7.5)	13,482,711.00	3.03	2.67	0.36	0.00
MILL CREEK-SO2 UNIT 3	(7.5)	2,531,773.00	4.54	4.06	0.48	0.00
MILL CREEK UNIT 4	(7.5)	20,755,277.95	2.82	2.50	0.32	0.00
MILL CREEK-SO2 UNIT 4	(7.5)	5,804,978.52	5.38	4.82	0.56	0.00
TRIMBLE COUNTY - UNIT 1	(3)	56,269,846.00	2.41	2.18	0.23	0.00
TRIMBLE COUNTY - SO2 UNIT 1	(3)	2,736,920.00	3.47	3.07	0.40	0.00
<b>TOTAL ACCOUNT 315 - ACCESSORY ELECTRIC EQUIPMENT</b>		<b>162,709,107.80</b>				

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANTCALCULATED ANNUAL ACCRUAL RATE BY  
COMPONENTS USING CURRENT RATES AS OF DECEMBER 31, 2006

ACCOUNT (1)	NET SALVAGE PERCENT (2)	ORIGINAL COST (3)	CALCULATED ANNUAL ACCRUAL RATE (4)	CAPITAL RECOVERY ACCRUAL RATE (5)	COST OF REMOVAL ACCRUAL RATE (6)	GROSS SALVAGE ACCRUAL RATE (7)
316 00 MISCELLANEOUS PLANT EQUIPMENT						
CANE RUN UNIT 1	0	38 746 00	0 00	0 00	0 00	0 00
CANE RUN UNIT 3	0	11 665 00	0 00	0 00	0 00	0 00
CANE RUN UNIT 4	(10)	71 143 38	2 94	2 61	0 33	0 00
CANE RUN-SO2 UNIT 4	(10)	6 464 00	0 00	0 00	0 00	0 00
CANE RUN UNIT 5	(10)	80 865 51	2 87	2 55	0 32	0 00
CANE RUN-SO2 UNIT 5	(10)	47 299 00	1 77	1 58	0 19	0 00
CANE RUN UNIT 6	(10)	2 707 943 48	3 06	2 72	0 34	0 00
CANE RUN-SO2 UNIT 6	(10)	31 569 00	2 18	1 95	0 23	0 00
MILL CREEK UNIT 1	(7 5)	696 198 16	2 39	2 17	0 22	0 00
MILL CREEK UNIT 2	(7 5)	112 007 80	2 29	2 06	0 23	0 00
MILL CREEK UNIT 3	(7 5)	318 625 00	3 03	2 67	0 36	0 00
MILL CREEK UNIT 4	(7 5)	5 198 564 77	2 82	2 50	0 32	0 00
MILL CREEK-SO2 UNIT 4	(7.5)	53 006 66	5 38	4 82	0 56	0 00
TRIMBLE COUNTY - UNIT 1	(3)	2 574 446 81	2 41	2 18	0 23	0 00
TOTAL ACCOUNT 316 - MISCELLANEOUS PLANT EQUIPMENT		11 948 544 57				
TOTAL STEAM PRODUCTION PLANT		1 933 256 892 63				
<u>HYDROELECTRIC PRODUCTION PLANT</u>						
331 00 STRUCTURES AND IMPROVEMENTS						
OHIO FALLS - NON-PROJECT	0	65 796 14	1 76	1 76	0 00	0 00
OHIO FALLS - PROJECT 289	0	5 412 307 69	1 81	1 81	0 00	0 00
TOTAL ACCOUNT 331 - STRUCTURES AND IMPROVEMENTS		5 478 103 83				
332 00 RESERVOIRS, DAMS & WATERWAY						
OHIO FALLS - PROJECT 289	0	4 949 177 35	1 81	1 81	0 00	0 00
TOTAL ACCOUNT 332 - RESERVOIRS, DAMS & WATERWAY		4 949 177 35				
333 00 WATER WHEELS, TURBINES & GENERATORS						
OHIO FALLS - PROJECT 289	0	2 674 579 62	1 81	1 81	0 00	0 00
TOTAL ACCOUNT 333 - WATER WHEELS, TURBINES & GENERATORS		2 674 579 62				
334 00 ACCESSORY ELECTRIC EQUIPMENT						
OHIO FALLS - PROJECT 289	0	4 392 875 71	1 81	1 81	0 00	0 00
TOTAL ACCOUNT 334 - ACCESSORY ELECTRIC EQUIPMENT		4 392 875 71				
335 00 MISCELLANEOUS PLANT EQUIPMENT						
OHIO FALLS - NON-PROJECT	0	7 813 67				
OHIO FALLS - PROJECT 289	0	171 179 25	1 81	1 81	0 00	0 00
TOTAL ACCOUNT 335 - MISCELLANEOUS PLANT EQUIPMENT		178 992 92				
336 00 ROADS, RAILROADS & BRIDGES						
OHIO FALLS - NON-PROJECT	0	1 133 98	1 76	1 76	0 00	0 00
OHIO FALLS - PROJECT 289	0	178 846 99	1 81	1 81	0 00	0 00
TOTAL ACCOUNT 336 - ROADS, RAILROADS & BRIDGES		179 980 97				
TOTAL HYDROELECTRIC PRODUCTION PLANT		17 853 710 40				
<u>OTHER PRODUCTION PLANT</u>						
341 00 STRUCTURES AND IMPROVEMENTS						
CANE RUN GT 11	0	68 931 71	0 49	0 49	0 00	0 00
ZORN AND RIVER ROAD GAS TURBINE	0	8 241 14	1 24	1 24	0 00	0 00
PADDY'S RUN-GENERATOR 12	0	42 864 53	1 34	1 34	0 00	0 00
PADDY'S RUN-GENERATOR 13	0	2 158 898 12	3 43	3 43	0 00	0 00
BROWN COMBUSTION TURBINE #5	0	858 538 64	3 43	3 43	0 00	0 00
E W BROWN # 6	0	105 977 86	3 45	3 45	0 00	0 00
E W BROWN # 7	0	144 358 29	3 33	3 33	0 00	0 00
TRIMBLE COUNTY #5	0	1 555 655 08	3 43	3 43	0 00	0 00
TRIMBLE COUNTY #6	0	1 467 823 89	3 43	3 43	0 00	0 00
TRIMBLE COUNTY #7	0	2 083 898 13	3 43	3 43	0 00	0 00
TRIMBLE COUNTY #8	0	2 075 526 50	3 43	3 43	0 00	0 00
TRIMBLE COUNTY #9	0	2 137 402 33	3 43	3 43	0 00	0 00
TRIMBLE COUNTY #10	0	2 132 789 69	3 43	3 43	0 00	0 00
TOTAL ACCOUNT 341 - STRUCTURES AND IMPROVEMENTS		14 840 603 91				
342 00 FUEL HOLDERS, PRODUCERS AND ACCESSORIES						
CANE RUN GT 11	0	118 873 81	0 49	0 49	0 00	0 00
ZORN AND RIVER ROAD GAS TURBINE	0	12 801 77	1 24	1 24	0 00	0 00
PADDY'S RUN-GENERATOR 11	0	9 237 57	1 26	1 26	0 00	0 00
PADDY'S RUN-GENERATOR 12	0	12 197 11	1 34	1 34	0 00	0 00
PADDY'S RUN-GENERATOR 13	0	2 255 338 17	3 43	3 43	0 00	0 00
BROWN COMBUSTION TURBINE #5	0	822 580 92	3 43	3 43	0 00	0 00
E W BROWN # 6	0	363 762 04	3 45	3 45	0 00	0 00
E W BROWN # 7	0	102 065 03	3 33	3 33	0 00	0 00

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

CALCULATED ANNUAL ACCRUAL RATE BY  
COMPONENTS USING CURRENT RATES AS OF DECEMBER 31, 2006

ACCOUNT (1)	NET SALVAGE PERCENT (2)	ORIGINAL COST (3)	CALCULATED ANNUAL ACCRUAL RATE (4)	CAPITAL RECOVERY ACCRUAL RATE (5)	COST OF REMOVAL ACCRUAL RATE (6)	GROSS SALVAGE ACCRUAL RATE (7)
TRIMBLE COUNTY #5	0	97,096.90	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #6	0	97,861.58	3.43	3.43	0.00	0.00
TRIMBLE COUNTY CT PIPELINE	0	1,998,390.62	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #7	0	338,423.07	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #8	0	337,096.18	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #9	0	347,148.53	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #10	0	<u>346,397.46</u>	3.43	3.43	0.00	0.00
<b>TOTAL ACCOUNT 342 - FUEL HOLDERS, PRODUCERS AND ACCESSORIES</b>		7,260,168.76				
343 00 PRIME MOVERS						
PADDY'S RUN-GENERATOR 13	0	19,700,979.24	3.43	3.43	0.00	0.00
BROWN COMBUSTION TURBINE #5	0	14,310,573.52	3.43	3.43	0.00	0.00
E W BROWN # 6	0	15,937,077.55	3.45	3.45	0.00	0.00
E W BROWN # 7	0	22,587,247.07	3.33	3.33	0.00	0.00
TRIMBLE COUNTY #5	0	12,521,829.34	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #6	0	12,417,418.76	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #7	0	13,328,713.85	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #8	0	13,203,748.83	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #9	0	13,094,377.92	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #10	0	<u>13,055,699.41</u>	3.43	3.43	0.00	0.00
<b>TOTAL ACCOUNT 343 - PRIME MOVERS</b>		150,157,665.49				
344 00 GENERATORS						
CANE RUN GT 11	0	2,492,497.42	0.49	0.49	0.00	0.00
ZORN AND RIVER ROAD GAS TURBINE	0	1,827,580.88	1.24	1.24	0.00	0.00
PADDY'S RUN-GENERATOR 11	0	1,523,115.56	1.26	1.26	0.00	0.00
PADDY'S RUN-GENERATOR 12	0	2,991,745.77	1.34	1.34	0.00	0.00
PADDY'S RUN-GENERATOR 13	0	5,859,857.43	3.43	3.43	0.00	0.00
BROWN COMBUSTION TURBINE #5	0	3,219,204.90	3.43	3.43	0.00	0.00
E W BROWN # 6	0	2,417,994.54	3.45	3.45	0.00	0.00
E W BROWN # 7	0	2,421,079.26	3.33	3.33	0.00	0.00
TRIMBLE COUNTY #5	0	1,539,295.24	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #6	0	1,537,167.60	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #7	0	1,726,823.88	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #8	0	1,717,276.72	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #9	0	1,728,008.37	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #10	0	<u>1,722,874.29</u>	3.43	3.43	0.00	0.00
<b>TOTAL ACCOUNT 344 - GENERATORS</b>		32,724,321.86				
345 00 ACCESSORY ELECTRIC EQUIPMENT						
CANE RUN GT 11	0	113,683.82	0.49	0.49	0.00	0.00
ZORN AND RIVER ROAD GAS TURBINE	0	40,936.08	1.24	1.24	0.00	0.00
PADDY'S RUN-GENERATOR 11	0	68,109.35	1.26	1.26	0.00	0.00
PADDY'S RUN-GENERATOR 12	0	114,337.63	1.34	1.34	0.00	0.00
PADDY'S RUN-GENERATOR 13	0	2,778,992.60	3.43	3.43	0.00	0.00
BROWN COMBUSTION TURBINE #5	0	2,575,301.42	3.43	3.43	0.00	0.00
E W BROWN # 6	0	942,589.47	3.45	3.45	0.00	0.00
E W BROWN # 7	0	943,792.03	3.33	3.33	0.00	0.00
TRIMBLE COUNTY #5	0	685,978.69	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #6	0	685,031.13	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #7	0	1,841,055.15	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #8	0	1,834,731.90	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #9	0	1,889,431.09	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #10	0	<u>1,885,353.63</u>	3.43	3.43	0.00	0.00
<b>TOTAL ACCOUNT 345 - ACCESSORY ELECTRIC EQUIPMENT</b>		16,409,223.99				
346 00 MISCELLANEOUS PLANT EQUIPMENT						
PADDY'S RUN-GENERATOR 12	0	1,140.74	1.34	1.34	0.00	0.00
PADDY'S RUN-GENERATOR 13	0	1,260,054.85	3.43	3.43	0.00	0.00
BROWN COMBUSTION TURBINE #5	0	2,370,656.38	3.43	3.43	0.00	0.00
E W BROWN # 6	0	22,455.77	3.45	3.45	0.00	0.00
E W BROWN # 7	0	23,047.78	3.33	3.33	0.00	0.00
TRIMBLE COUNTY #5	0	8,937.45	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #7	0	5,204.51	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #8	0	5,182.59	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #9	0	5,328.44	3.43	3.43	0.00	0.00
TRIMBLE COUNTY #10	0	<u>5,316.20</u>	3.43	3.43	0.00	0.00
<b>TOTAL ACCOUNT 346 - MISCELLANEOUS PLANT EQUIPMENT</b>		3,707,324.00				
<b>TOTAL OTHER PRODUCTION PLANT</b>		225,090,308.81				
<b>TRANSMISSION PLANT</b>						
350 10 LAND AND LAND RIGHTS	0	2,592,773.81	1.31	1.31	0.00	0.00
352 10 STRUCTURES AND IMPROVEMENTS	(10)	3,426,227.89	2.02	1.81	0.21	0.00
353 10 STATION EQUIPMENT	0	132,246,587.81	2.10	2.10	0.00	0.00
354 00 TOWERS AND FIXTURES	(25)	24,705,991.57	2.40	1.88	0.57	(0.05)
355 00 POLES AND FIXTURES	(20)	32,698,136.55	2.95	2.51	0.59	(0.15)
356 00 OVERHEAD CONDUCTORS AND DEVICES	(25)	36,319,311.94	2.91	2.33	0.81	(0.23)
357 00 UNDERGROUND CONDUIT	0	1,880,752.49	1.98	1.98	0.00	0.00
358 00 UNDERGROUND CONDUCTORS AND DEVICES	0	<u>5,303,988.77</u>	2.47	2.47	0.00	0.00
<b>TOTAL TRANSMISSION PLANT</b>		239,173,770.83				

LOUISVILLE GAS AND ELECTRIC  
 ELECTRIC PLANT

CALCULATED ANNUAL ACCRUAL RATE BY  
 COMPONENTS USING CURRENT RATES AS OF DECEMBER 31, 2008

ACCOUNT (1)	NET SALVAGE PERCENT (2)	ORIGINAL COST (3)	CALCULATED ANNUAL ACCRUAL RATE (4)	CAPITAL RECOVERY ACCRUAL RATE (5)	COST OF REMOVAL ACCRUAL RATE (6)	GROSS SALVAGE ACCRUAL RATE (7)
<b>DISTRIBUTION PLANT</b>						
361 00	(10)	6,416,608.23	2.21	2.00	0.21	0.00
362 00	(5)	85,508,876.42	2.57	2.34	0.33	(0.10)
364 00	(45)	103,127,752.92	3.55	2.76	0.97	(0.18)
365 00	(25)	173,009,057.04	3.82	3.19	0.84	(0.21)
366 00	(5)	61,734,265.50	1.49	1.39	0.10	0.00
367 00	(10)	90,008,517.11	3.08	2.83	0.29	(0.04)
368 00	(10)	107,882,342.81	2.70	2.53	0.31	(0.14)
369 10	(5)	3,524,148.10	3.21	3.03	0.18	0.00
369 20	(60)	21,039,200.67	4.46	2.76	1.70	0.00
370 00	(10)	34,382,670.04	3.37	3.09	0.41	(0.13)
370 00						
373 10	(10)	23,772,667.59	5.93	5.36	0.61	(0.04)
373 20	(10)	40,882,602.84	4.34	3.85	0.52	(0.03)
373 40	0	87,546.43	0.00	0.00	0.00	0.00
<b>TOTAL DISTRIBUTION PLANT</b>		<b>751,556,255.70</b>				
<b>GENERAL PLANT</b>						
392 20	10	587,518.21	2.60	2.85	0.00	(0.25)
394 00	10	3,155,932.55	3.50	3.84	0.00	(0.34)
395 00	5	1,503,831.33	2.70	2.87	0.00	(0.17)
396 20	10	51,067.69	2.11	2.34	0.00	(0.23)
<b>TOTAL GENERAL PLANT</b>		<b>5,298,349.78</b>				
<b>TOTAL DEPRECIABLE PLANT</b>		<b>3,172,229,288.15</b>				

LOUISVILLE GAS AND ELECTRIC  
GAS PLANT

CALCULATED ANNUAL ACCRUAL RATE BY  
COMPONENTS USING CURRENT RATES AS OF DECEMBER 31, 2006

ACCOUNT (1)	NET SALVAGE PERCENT (2)	ORIGINAL COST (3)	CALCULATED ANNUAL ACCRUAL RATE (4)	CAPITAL RECOVERY ACCRUAL RATE (5)	COST OF REMOVAL ACCRUAL RATE (6)	GROSS SALVAGE ACCRUAL RATE (7)
<b>DEPRECIABLE PLANT</b>						
<b>PRODUCTION PLANT</b>						
350 20		0	63,678.14	2.22	2.22	0.00
351 20	(10)	1,696,319.20	2.45	2.22	0.23	0.00
351 30	(10)	10,879.61	0.00	0.00	0.00	0.00
351 40	(10)	1,236,356.49	1.74	1.58	0.16	0.00
352 10	0	548,241.14	2.22	2.22	0.00	0.00
352 20	0	400,511.40	0.69	0.69	0.00	0.00
352 30	0	9,648,055.00	1.73	1.73	0.00	0.00
352 40	(20)	2,622,897.61	1.67	1.36	0.31	0.00
352 60	(20)	6,142,762.54	2.35	1.91	0.46	(0.02)
353 00	(5)	12,786,744.73	2.53	2.43	0.13	(0.03)
354 00	0	13,961,769.92	1.78	1.78	0.00	0.00
355 00	0	387,809.47	1.54	1.54	0.00	0.00
356 00	(20)	9,934,256.85	3.50	2.88	0.66	(0.04)
357 00	0	1,033,211.58	2.49	2.49	0.00	0.00
<b>TOTAL PRODUCTION PLANT</b>		<b>60,474,293.68</b>				
<b>TRANSMISSION PLANT</b>						
365 20	0	220,659.05	1.68	1.68	0.00	0.00
367 00	(15)	12,673,432.30	1.68	1.46	0.27	(0.05)
<b>TOTAL TRANSMISSION PLANT</b>		<b>12,894,091.35</b>				
<b>DISTRIBUTION PLANT</b>						
374 22	0	74,018.23	2.95	2.95	0.00	0.00
375 10	(15)	224,018.51	3.59	3.10	0.49	0.00
375 20	(15)	505,354.95	3.34	2.86	0.48	0.00
376 00	(20)	262,334,573.57	2.23	1.86	0.43	(0.06)
378 00	(5)	7,853,390.14	3.03	2.88	0.17	(0.02)
379 00	0	3,846,544.97	3.14	3.14	0.00	0.00
380 00	(75)	125,366,090.71	4.25	2.42	1.83	0.00
381 00	(5)	21,171,719.50	3.11	2.99	0.16	(0.04)
382 00	(10)	9,136,341.11	3.22	2.92	0.30	0.00
383 00	(5)	4,598,091.61	2.42	2.30	0.19	(0.07)
384 00	0	4,707,358.65	2.28	2.28	0.00	0.00
385 00	0	159,361.88	3.62	3.62	0.00	0.00
387 00	0	51,112.34	2.36	2.36	0.00	0.00
<b>TOTAL DISTRIBUTION PLANT</b>		<b>440,027,976.17</b>				
<b>GENERAL PLANT</b>						
392 20	10	474,814.36	4.49	4.92	0.00	(0.43)
394 00	10	3,474,777.85	3.76	4.13	0.00	(0.37)
395 00	5	439,513.20	3.16	3.32	0.00	(0.16)
396.20	10	53,369.30	2.99	3.30	0.00	(0.31)
<b>TOTAL GENERAL PLANT</b>		<b>4,442,474.71</b>				
<b>TOTAL DEPRECIABLE PLANT</b>		<b>517,838,835.91</b>				

LOUISVILLE GAS AND ELECTRIC  
COMMON PLANT

CALCULATED ANNUAL ACCRUAL RATE BY  
COMPONENTS USING CURRENT RATES AS OF DECEMBER 31, 2008

ACCOUNT (1)	NET SALVAGE PERCENT (2)	ORIGINAL COST (3)	CALCULATED ANNUAL ACCRUAL RATE (4)	CAPITAL RECOVERY ACCRUAL RATE (5)	COST OF REMOVAL ACCRUAL RATE (6)	GROSS SALVAGE ACCRUAL RATE (7)
<b>DEPRECIABLE PLANT</b>						
STRUCTURES AND IMPROVEMENTS						
390 10	(10)	49,324,994.87	2.18	1.97	0.21	0.00
390 20	(10)	431,573.62	2.14	1.93	0.21	0.00
390 30	(10)	10,929,115.62	2.09	1.88	0.21	0.00
390 40	(10)	589,466.55	1.96	1.77	0.19	0.00
390 60	(10)	855,652.76	2.09	1.88	0.21	0.00
OFFICE FURNITURE AND EQUIPMENT						
391 10	2	12,512,975.03	3.43	3.49	0.00	(0.06)
391 20	2	3,342,047.27	3.43	3.49	0.00	(0.06)
391 30	0	19,219,230.99	20.00	20.00	0.00	0.00
391 31	0	1,217,943.37	33.34	33.34	0.00	0.00
391 40	2	2,554,508.44	3.43	3.49	0.00	(0.06)
392 20	10	63,404.28	2.67	2.94	0.00	(0.27)
393 00	5	1,210,653.40	2.75	2.89	0.00	(0.14)
394 00	10	3,470,364.28	2.97	3.27	0.00	(0.30)
395 00	5	22,281.50	2.59	2.72	0.00	(0.13)
396 20	10	14,147.08	2.51	2.77	0.00	(0.26)
397 00	0	36,367,603.46	3.72	3.72	0.00	0.00
397 10	0	5,784,754.49	3.72	3.72	0.00	0.00
398 00	0	<u>594,390.05</u>	3.97	3.97	0.00	0.00
<b>TOTAL DEPRECIABLE PLANT</b>		<b>148,505,107.06</b>				



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 87**

**Witness: John J. Spanos**

- Q-87. Please explain any changes in procedures, methods or techniques used to calculate the existing depreciation rates and those used to calculate the rates proposed in the Depreciation Study.
- A-87. The methods and techniques used to calculate the proposed rates are the same as those used to calculate the existing rates. The depreciation procedure in the proposed rates has been changed from the Average Service Life Procedure to the Equal Life Group Procedure, and most general plant accounts are proposed to be depreciated using the amortization concept. Further explanation of the difference between the Average Service Life Procedure and The Equal Life Group Procedure is provided in the response to Commission Staff LG&E Q-5.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 88**

**Witness: John J. Spanos**

- Q-88. Provide a table summarizing separately by account the depreciation expense changes caused by the change to ELG, life changes, net salvage changes, and other changes. Provide additional explanations of the "other changes."
- A-88. It is not possible to accurately separate, by account, the changes in depreciation expense due to each of the components on which the depreciation expense is calculated due to a combination of parameters. However, the change in depreciation expense can be segregated, within relatively close proximity from the Equal Life Group Procedure to the Average Service Life Procedure. These tables are attached.

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

COMPARISON OF EQUAL LIFE GROUP vs AVERAGE SERVICE LIFE  
CALCULATED ANNUAL DEPRECIATION EXPENSE AS OF DECEMBER 31, 2006

DEPRECIABLE PLANT	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ELG	
				CALCULATED ANNUAL ACCRUAL AMOUNT (4)	ACCRAUAL RATE (5)
<b>STEAM PRODUCTION PLANT</b>					
<b>STRUCTURES AND IMPROVEMENTS</b>					
311.00	CANE RUN UNIT 1	100-S1.5	(10)	0	.
	CANE RUN UNIT 2	100-S1.5	(10)	0	.
	CANE RUN UNIT 3	100-S1.5	(10)	0	.
	CANE RUN UNIT 4	100-S1.5	(10)	48,090	1.26
	CANE RUN-SO2 UNIT 4	100-S1.5	(10)	8,419	1.11
	CANE RUN UNIT 5	100-S1.5	(10)	123,433	2.00
	CANE RUN-SO2 UNIT 5	100-S1.5	(10)	28,165	1.66
	CANE RUN UNIT 6	100-S1.5	(10)	429,786	2.22
	CANE RUN-SO2 UNIT 6	100-S1.5	(10)	40,312	2.13
	MILL CREEK UNIT 1	100-S1.5	(10)	327,762	1.71
	MILL CREEK-SO2 UNIT 1	100-S1.5	(10)	29,820	1.74
	MILL CREEK UNIT 2	100-S1.5	(10)	162,336	1.50
	MILL CREEK-SO2 UNIT 2	100-S1.5	(10)	26,311	1.89
	MILL CREEK UNIT 3	100-S1.5	(10)	394,688	1.59
	MILL CREEK-SO2 UNIT 3	100-S1.5	(10)	5,567	1.53
	MILL CREEK UNIT 4	100-S1.5	(10)	1,156,787	1.92
	MILL CREEK-SO2 UNIT 4	100-S1.5	(10)	96,858	1.82
	TRIMBLE COUNTY - UNIT 1	100-S1.5	(10)	3,452,800	2.15
	TRIMBLE COUNTY - SO2 UNIT 1	100-S1.5	(10)	12,010	2.35
	<b>TOTAL ACCOUNT 311 - STRUCTURES AND IMPROVEMENTS</b>			<b>6,345,144</b>	<b>1.93</b>
<b>BOILER PLANT EQUIPMENT</b>					
312.00	CANE RUN LOCOMOTIVE	25-R2	20	2,470	4.79
	CANE RUN LOCOMOTIVE - RAILCARS	25-R2	20	53,667	3.59
	CANE RUN UNIT 1	45-R1.5	(30)	0	.
	CANE RUN UNIT 2	45-R1.5	(30)	0	.
	CANE RUN UNIT 3	45-R1.5	(30)	0	.
	CANE RUN UNIT 4	45-R1.5	(30)	0	.
	CANE RUN-SO2 UNIT 4	45-R1.5	(30)	2,016,040	6.66
	CANE RUN UNIT 5	45-R1.5	(30)	981,260	5.74
	CANE RUN-SO2 UNIT 5	45-R1.5	(30)	2,332,399	6.71
	CANE RUN UNIT 6	45-R1.5	(30)	1,296,757	4.62
	CANE RUN-SO2 UNIT 6	45-R1.5	(30)	2,726,434	5.78
	MILL CREEK-LOCOMOTIVE	45-R1.5	(30)	1,600,158	4.97
	MILL CREEK-LOCOMOTIVE RAILCARS	25-R2	20	24,762	4.04
	MILL CREEK UNIT 1	25-R2	20	128,750	3.58
	MILL CREEK-SO2 UNIT 1	45-R1.5	(30)	2,246,257	4.72
	MILL CREEK UNIT 2	45-R1.5	(30)	2,101,740	4.96
	MILL CREEK-SO2 UNIT 2	45-R1.5	(30)	2,472,523	5.22
	MILL CREEK UNIT 3	45-R1.5	(30)	1,621,216	4.71
	MILL CREEK-SO2 UNIT 3	45-R1.5	(30)	6,148,975	4.48
	MILL CREEK-SO2 UNIT 4	45-R1.5	(30)	2,762,215	4.38
	MILL CREEK UNIT 4	45-R1.5	(30)	10,573,987	4.45
	MILL CREEK-SO2 UNIT 4	45-R1.5	(30)	4,709,202	4.14
	TRIMBLE COUNTY - UNIT 1	45-R1.5	(30)	9,975,426	4.04
	TRIMBLE COUNTY - SO2 UNIT 1	45-R1.5	(30)	2,590,120	4.10
	<b>TOTAL ACCOUNT 312 - BOILER PLANT EQUIPMENT</b>			<b>56,366,558</b>	<b>4.58</b>

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

COMPARISON OF EQUAL LIFE GROUP vs AVERAGE SERVICE LIFE  
CALCULATED ANNUAL DEPRECIATION EXPENSE AS OF DECEMBER 31, 2006

	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ELG	
				CALCULATED ANNUAL ACCURAL AMOUNT (4)	ANNUAL ACCURAL RATE (5)
314.00	TURBOGENERATOR UNITS				
	CANE RUN UNIT 1	50-S1.5	(10)	0	.
	CANE RUN UNIT 2	50-S1.5	(10)	0	.
	CANE RUN UNIT 3	50-S1.5	(10)	0	.
	CANE RUN UNIT 4	50-S1.5	(10)	309,780	3.40
	CANE RUN UNIT 5	50-S1.5	(10)	178,552	2.42
	CANE RUN UNIT 6	50-S1.5	(10)	519,788	3.47
	MILL CREEK UNIT 1	50-S1.5	(10)	330,036	2.30
	MILL CREEK UNIT 2	50-S1.5	(10)	434,898	2.62
	MILL CREEK UNIT 3	50-S1.5	(10)	618,480	2.28
	MILL CREEK UNIT 4	50-S1.5	(10)	1,032,197	2.45
	TRIMBLE COUNTY - UNIT 1	50-S1.5	(10)	1,795,816	2.68
	TOTAL ACCOUNT 314 - TURBOGENERATOR UNITS			5,220,547	2.62
315.00	ACCESSORY ELECTRIC EQUIPMENT				
	CANE RUN UNIT 1	50-S2	(5)	0	.
	CANE RUN UNIT 2	50-S2	(5)	0	.
	CANE RUN UNIT 3	50-S2	(5)	0	.
	CANE RUN UNIT 4	50-S2	(5)	185,974	3.40
	CANE RUN-SO2 UNIT 4	50-S2	(5)	11,019	1.12
	CANE RUN UNIT 5	50-S2	(5)	214,025	3.12
	CANE RUN-SO2 UNIT 5	50-S2	(5)	36,996	1.67
	CANE RUN UNIT 6	50-S2	(5)	251,391	2.93
	CANE RUN-SO2 UNIT 6	50-S2	(5)	34,157	1.61
	MILL CREEK UNIT 1	50-S2	(5)	410,132	2.84
	MILL CREEK-SO2 UNIT 1	50-S2	(5)	99,693	1.80
	MILL CREEK UNIT 2	50-S2	(5)	136,760	2.13
	MILL CREEK-SO2 UNIT 2	50-S2	(5)	82,399	1.83
	MILL CREEK UNIT 3	50-S2	(5)	221,163	1.64
	MILL CREEK-SO2 UNIT 3	50-S2	(5)	41,010	1.62
	MILL CREEK UNIT 4	50-S2	(5)	383,791	1.85
	MILL CREEK-SO2 UNIT 4	50-S2	(5)	105,878	1.81
	TRIMBLE COUNTY - UNIT 1	50-S2	(5)	1,281,579	2.28
	TRIMBLE COUNTY - SO2 UNIT 1	50-S2	(5)	52,279	2.28
	TOTAL ACCOUNT 315 - ACCESSORY ELECTRIC EQUIPMENT			3,558,246	2.19
316.00	MISCELLANEOUS PLANT EQUIPMENT				
	CANE RUN UNIT 1	40-S2	(5)	0	.
	CANE RUN UNIT 3	40-S2	(5)	0	.
	CANE RUN UNIT 4	40-S2	(5)	4,624	6.50
	CANE RUN-SO2 UNIT 4	40-S2	(5)	204	3.16
	CANE RUN UNIT 5	40-S2	(5)	4,473	3.53
	CANE RUN-SO2 UNIT 5	40-S2	(5)	1,478	3.12
	CANE RUN UNIT 6	40-S2	(5)	122,063	4.51
	CANE RUN-SO2 UNIT 6	40-S2	(5)	942	2.98
	MILL CREEK UNIT 1	40-S2	(5)	23,454	3.37
	MILL CREEK UNIT 2	40-S2	(5)	3,474	3.10
	MILL CREEK UNIT 3	40-S2	(5)	8,883	2.79
	MILL CREEK UNIT 4	40-S2	(5)	170,528	3.28
	MILL CREEK-SO2 UNIT 4	40-S2	(5)	1,602	3.02
	TRIMBLE COUNTY - UNIT 1	40-S2	(5)	81,361	3.16
	TOTAL ACCOUNT 316 - MISCELLANEOUS PLANT EQUIPMENT			423,086	3.54
	TOTAL STEAM PRODUCTION PLANT			71,913,581	

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

COMPARISON OF EQUAL LIFE GROUP vs AVERAGE SERVICE LIFE  
CALCULATED ANNUAL DEPRECIATION EXPENSE AS OF DECEMBER 31, 2006

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	CALCULATED ANNUAL ACCRUAL AMOUNT (4)	ELG RATE (5)
<b>HYDROELECTRIC PRODUCTION PLANT</b>				
331.00				
STRUCTURES AND IMPROVEMENTS				
	100-S2.5	(5)	359	0.55
	100-S2.5	(5)	4,152	0.08
			4,511	0.08
TOTAL ACCOUNT 331 - STRUCTURES AND IMPROVEMENTS				
332.00				
RESERVOIRS, DAMS & WATERWAY				
	100-S2.5	(5)	163,256	3.30
			163,256	3.30
TOTAL ACCOUNT 332 - RESERVOIRS, DAMS & WATERWAY				
333.00				
WATER WHEELS, TURBINES & GENERATORS				
	100-S2.5	(10)	6,624	0.25
			6,624	0.25
TOTAL ACCOUNT 333 - WATER WHEELS, TURBINES & GENERATORS				
334.00				
ACCESSORY ELECTRIC EQUIPMENT				
	80-S4	(5)	129,626	2.95
			129,626	2.95
TOTAL ACCOUNT 334 - ACCESSORY ELECTRIC EQUIPMENT				
335.00				
MISCELLANEOUS PLANT EQUIPMENT				
	80-S3	(10)	131	1.68
	80-S3	(10)	3,953	2.31
			4,084	2.28
TOTAL ACCOUNT 335 - MISCELLANEOUS PLANT EQUIPMENT				
336.00				
ROADS, RAILROADS & BRIDGES				
	80-S4	0	0	*
	80-S4	0	0	*
			0	
TOTAL ACCOUNT 336 - ROADS, RAILROADS & BRIDGES				
TOTAL HYDROELECTRIC PRODUCTION PLANT				
			308,101	
<b>OTHER PRODUCTION PLANT</b>				
341.00				
STRUCTURES AND IMPROVEMENTS				
	55-F3	(5)	1,607	2.33
	55-F3	(5)	131	1.59
	55-F3	(5)	678	1.58
	55-F3	(5)	67,965	3.15
	55-F3	(5)	27,030	3.15
	55-F3	(5)	3,484	3.29
	55-F3	(5)	4,665	3.23

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

COMPARISON OF EQUAL LIFE GROUP vs AVERAGE SERVICE LIFE  
CALCULATED ANNUAL DEPRECIATION EXPENSE AS OF DECEMBER 31, 2006

	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ELG	
				CALCULATED ANNUAL ACCRUAL AMOUNT (4)	ANNUAL ACCRUAL RATE (5)
341.00	STRUCTURES AND IMPROVEMENTS, cont.				
	TRIMBLE COUNTY #5	55-R3	(5)	50,808	3.27
	TRIMBLE COUNTY #6	55-R3	(5)	47,676	3.25
	TRIMBLE COUNTY #7	55-R3	(5)	71,971	3.45
	TRIMBLE COUNTY #8	55-R3	(5)	71,689	3.45
	TRIMBLE COUNTY #9	55-R3	(5)	73,826	3.45
	TRIMBLE COUNTY #10	55-R3	(5)	73,657	3.45
	TOTAL ACCOUNT 341 - STRUCTURES AND IMPROVEMENTS			495,198	3.34
342.00	FUEL HOLDERS, PRODUCERS AND ACCESSORIES				
	CANE RUN GT 11	50-R3	(5)	5,816	4.89
	ZORN AND RIVER ROAD GAS TURBINE	50-R3	(5)	216	1.69
	PADDY'S RUN-GENERATOR 11	50-R3	(5)	156	1.69
	PADDY'S RUN-GENERATOR 12	50-R3	(5)	239	1.96
	PADDY'S RUN-GENERATOR 13	50-R3	(5)	72,314	3.21
	BROWN COMBUSTION TURBINE #5	50-R3	(5)	26,341	3.20
	E W BROWN # 6	50-R3	(5)	11,331	3.11
	E W BROWN # 7	50-R3	(5)	3,179	3.11
	TRIMBLE COUNTY #5	50-R3	(5)	3,225	3.29
	TRIMBLE COUNTY #6	50-R3	(5)	3,222	3.29
	TRIMBLE COUNTY CT PIPELINE	50-R3	(5)	66,290	3.32
	TRIMBLE COUNTY #7	50-R3	(5)	11,833	3.50
	TRIMBLE COUNTY #8	50-R3	(5)	11,787	3.50
	TRIMBLE COUNTY #9	50-R3	(5)	12,138	3.50
	TRIMBLE COUNTY #10	50-R3	(5)	12,112	3.50
	TOTAL ACCOUNT 342 - FUEL HOLDERS, PRODUCERS AND ACCESSORIES			240,199	3.31
343.00	PRIME MOVERS				
	PADDY'S RUN-GENERATOR 13	30-R2	(5)	965,539	4.60
	BROWN COMBUSTION TURBINE #5	30-R2	(5)	699,452	4.61
	E W BROWN # 6	30-R2	(5)	745,907	4.66
	E W BROWN # 7	30-R2	(5)	1,039,091	4.60
	TRIMBLE COUNTY #5	30-R2	(5)	584,956	4.67
	TRIMBLE COUNTY #6	30-R2	(5)	579,749	4.67
	TRIMBLE COUNTY #7	30-R2	(5)	650,517	4.88
	TRIMBLE COUNTY #8	30-R2	(5)	644,950	4.88
	TRIMBLE COUNTY #9	30-R2	(5)	639,592	4.88
	TRIMBLE COUNTY #10	30-R2	(5)	637,706	4.86
	TOTAL ACCOUNT 343 - PRIME MOVERS			7,087,459	4.72
344.00	GENERATORS				
	CANE RUN GT 11	60-S3	(5)	142,925	5.73
	ZORN AND RIVER ROAD GAS TURBINE	60-S3	(5)	49,379	2.70
	PADDY'S RUN-GENERATOR 11	60-S3	(5)	41,664	2.74
	PADDY'S RUN-GENERATOR 12	60-S3	(5)	78,674	2.63
	PADDY'S RUN-GENERATOR 13	60-S3	(5)	175,996	3.00
	BROWN COMBUSTION TURBINE #5	60-S3	(5)	96,684	3.00
	E W BROWN # 6	60-S3	(5)	70,743	2.93
	E W BROWN # 7	60-S3	(5)	70,834	2.93
	TRIMBLE COUNTY #5	60-S3	(5)	47,599	3.09
	TRIMBLE COUNTY #6	60-S3	(5)	47,531	3.09

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

COMPARISON OF EQUAL LIFE GROUP vs AVERAGE SERVICE LIFE  
CALCULATED ANNUAL DEPRECIATION EXPENSE AS OF DECEMBER 31, 2006

	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ELG	
				CALCULATED ANNUAL AMOUNT (4)	ACCRAU RATE (5)
344.00	GENERATORS, cont.				
	TRIMBLE COUNTY #7	60-S3	(5)	56,749	3.29
	TRIMBLE COUNTY #8	60-S3	(5)	56,435	3.29
	TRIMBLE COUNTY #9	60-S3	(5)	56,788	3.29
	TRIMBLE COUNTY #10	60-S3	(5)	56,613	3.29
	TOTAL ACCOUNT 344 - GENERATORS			1,048,614	3.20
345.00	ACCESSORY ELECTRIC EQUIPMENT				
	CANE RUN GT 11	35-S1.5	0	5,228	4.50
	ZORN AND RIVER ROAD GAS TURBINE	35-S1.5	0	1,844	4.50
	PADDY'S RUN-GENERATOR 11	35-S1.5	0	4,311	6.33
	PADDY'S RUN-GENERATOR 12	35-S1.5	0	6,775	5.93
	PADDY'S RUN-GENERATOR 13	35-S1.5	0	103,379	3.72
	BROWN COMBUSTION TURBINE #5	35-S1.5	0	95,800	3.72
	E W BROWN # 6	35-S1.5	0	34,588	3.67
	E W BROWN # 7	35-S1.5	0	34,642	3.67
	TRIMBLE COUNTY #5	35-S1.5	0	25,924	3.78
	TRIMBLE COUNTY #6	35-S1.5	0	25,887	3.78
	TRIMBLE COUNTY #7	35-S1.5	0	71,579	3.89
	TRIMBLE COUNTY #8	35-S1.5	0	71,298	3.89
	TRIMBLE COUNTY #9	35-S1.5	0	73,424	3.89
	TRIMBLE COUNTY #10	35-S1.5	0	73,265	3.89
	TOTAL ACCOUNT 345 - ACCESSORY ELECTRIC EQUIPMENT			627,954	3.83
346.00	MISCELLANEOUS PLANT EQUIPMENT				
	PADDY'S RUN-GENERATOR 12	50-S3	0	0	0.00
	PADDY'S RUN-GENERATOR 13	50-S3	0	35,671	2.83
	BROWN COMBUSTION TURBINE #5	50-S3	0	67,109	2.83
	E W BROWN # 6	50-S3	0	647	2.88
	E W BROWN # 7	50-S3	0	665	2.88
	TRIMBLE COUNTY #5	50-S3	0	290	3.24
	TRIMBLE COUNTY #7	50-S3	0	163	3.13
	TRIMBLE COUNTY #8	50-S3	0	162	3.13
	TRIMBLE COUNTY #9	50-S3	0	166	3.12
	TRIMBLE COUNTY #10	50-S3	0	166	3.12
	TOTAL ACCOUNT 346 - MISCELLANEOUS PLANT EQUIPMENT			105,039	2.83
	TOTAL OTHER PRODUCTION PLANT			9,604,463	
	TRANSMISSION PLANT				
350.10	LAND AND LAND RIGHTS	50-R3	0	111,617	4.30
352.10	STRUCTURES AND IMPROVEMENTS	60-R2.5	(10)	48,654	1.42
353.10	STATION EQUIPMENT	55-R2.5	(10)	2,106,627	1.59
354.00	TOWERS AND FIXTURES	65-R3	(40)	389,647	1.58
355.00	POLES AND FIXTURES	50-R2	(50)	1,206,866	3.68
356.00	OVERHEAD CONDUCTORS AND DEVICES	50-R2	(40)	1,141,709	3.14
357.00	UNDERGROUND CONDUIT	50-R3	0	40,125	2.13
358.00	UNDERGROUND CONDUCTORS AND DEVICES	30-R3	0	223,050	4.21
	TOTAL TRANSMISSION PLANT			5,268,315	

LOUISVILLE GAS AND ELECTRIC  
ELECTRIC PLANT

COMPARISON OF EQUAL LIFE GROUP vs AVERAGE SERVICE LIFE  
CALCULATED ANNUAL DEPRECIATION EXPENSE AS OF DECEMBER 31, 2006

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ELG	
			CALCULATED ANNUAL ACCRUAL AMOUNT (4)	ACCRAUAL RATE (5)
<b>DISTRIBUTION PLANT</b>				
361.00	60-R3	(20)	74,470	1.16
362.00	55-R1.5	(15)	1,634,064	1.91
364.00	50-R2.5	(60)	3,699,821	3.59
365.00	45-R1.5	(50)	6,781,534	3.92
366.00	70-R4	(10)	828,665	1.34
367.00	50-R2	(15)	2,012,085	2.24
368.00	45-R1.5	(20)	3,134,367	2.90
369.00	45-R1.5	(35)	116,035	3.29
370.00	45-S1.5	(100)	1,259,875	5.99
371.00	30-R2	(5)	1,626,657	4.73
372.00	30-L1	(20)	912,711	3.84
373.00	35-R1.5	(20)	1,609,793	3.94
373.40	26-R0.5	0	0	
			23,690,078	
<b>TOTAL DISTRIBUTION PLANT</b>				
<b>GENERAL PLANT</b>				
392.20	30-S4	5	22,560	3.84
394.00	25-SQ	0	138,637	4.39
395.00	15-SQ	0	455,981	30.32
396.20	30-R1.5	0	1,957	3.83
			619,135	
			111,403,673	
<b>TOTAL DEPRECIABLE PLANT</b>				

\* LIFE SPAN PROCEDURE IS USED. CURVE SHOWN IS INTERIM SURVIVOR CURVE

LOUISVILLE GAS AND ELECTRIC  
GAS PLANT

COMPARISON OF EQUAL LIFE GROUP vs AVERAGE SERVICE LIFE  
CALCULATED ANNUAL DEPRECIATION EXPENSE AS OF DECEMBER 31, 2006

DEPRECIABLE PLANT	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ELG		CALCULATED ANNUAL ACCUMULATED AMOUNT (4)	ANNUAL ACCUMULATED RATE (5)	CALCULATED ANNUAL ACCUMULATED AMOUNT (6)
				CALCULATED ANNUAL ACCUMULATED AMOUNT (4)	ANNUAL ACCUMULATED RATE (5)			
<b>PRODUCTION PLANT</b>								
RIGHTS OF WAY	350.20	55-R4	0	0	0	0	1.88	0
COMPRESSOR STATION STRUCTURES	351.20	50-R2.5	(5)	28,509	23,026	0	1.88	23,026
MEASURING AND REGULATING STATION STRUCTURES	351.30	55-R2.5	(5)	0	0	0	1.07	0
OTHER STRUCTURES	351.40	50-R3	(5)	13,172	11,426	0	1.07	11,426
STORAGE LEASEHOLDS AND RIGHTS	352.10	55-R4	0	0	0	0	1.07	0
RESERVOIRS	352.20	55-R4	0	0	0	0	1.07	0
NONRECOVERABLE NATURAL GAS	352.30	50-SQ	0	88,298	86,298	0	0.92	86,298
WELL DRILLING	352.40	55-R2.5	(20)	11,504	9,473	0	0.44	9,473
WELL EQUIPMENT	352.50	50-R2.5	(20)	248,732	212,368	0	4.05	212,368
LINES	353.00	45-S1	(10)	271,652	214,826	0	2.12	214,826
COMPRESSOR STATION EQUIPMENT	354.00	50-R3	(5)	205,495	178,373	0	1.47	178,373
MEASURING AND REGULATING EQUIPMENT	355.00	40-R1	(5)	6,677	4,747	0	1.72	4,747
PURIFICATION EQUIPMENT	356.00	45-R2	(15)	241,956	190,525	0	2.44	190,525
OTHER EQUIPMENT	357.00	40-R2	0	29,031	22,575	0	2.81	22,575
<b>TOTAL PRODUCTION PLANT</b>				<b>1,145,026</b>			<b>1.89</b>	<b>955,638</b>
<b>TRANSMISSION PLANT</b>								
RIGHTS OF WAY	365.20	65-S3	0	655	586	0	0.30	586
MAINS	367.00	65-R2.5	(10)	56,156	46,385	0	0.44	46,385
<b>TOTAL TRANSMISSION PLANT</b>				<b>56,811</b>			<b>0.44</b>	<b>46,971</b>
<b>DISTRIBUTION PLANT</b>								
OTHER DISTRIBUTION LAND RIGHTS	374.22	65-S3	0	28	26	0	0.04	26
STRUCTURES & IMPROVEMENTS - CITY GATE STATION	375.10	55-R3	(5)	2,764	2,384	0	1.23	2,384
STRUCTURES & IMPROVEMENTS - OTHER DISTRIBUTION	375.20	30-L1	(5)	38,955	42,190	0	7.71	42,190
MAINS	376.00	65-R2.5	(30)	5,656,026	4,623,570	0	2.16	4,623,570
MEASURING AND REGULATING STATION EQUIP-GENERAL	378.00	41-S0	(10)	288,766	198,953	0	3.68	198,953
MEASURING AND REGULATING STATION EQUIP-CITY GATE	379.00	45-S1	(15)	113,941	89,690	0	2.96	89,690
SERVICES	380.00	42-S0	(55)	6,308,119	4,518,149	0	5.03	4,518,149
METERS	381.00	31-R1.5	0	1,103,358	843,910	0	5.21	843,910
METER INSTALLATIONS	382.00	20-L0	0	1,020,340	647,752	0	11.17	647,752
HOUSE REGULATORS	383.00	45-R3	(5)	119,212	102,068	0	2.59	102,068
HOUSE REGULATOR INSTALLATIONS	384.00	45-R2	(5)	149,262	104,994	0	3.17	104,994
MEASURING AND REGULATING STATION EQUIPMENT	385.00	40-S2.5	0	1,699	1,496	0	1.07	1,496
OTHER EQUIPMENT	387.00	40-S2	0	2,038	1,779	0	3.99	1,779
<b>TOTAL DISTRIBUTION PLANT</b>				<b>14,804,508</b>			<b>3.36</b>	<b>11,176,981</b>

LOUISVILLE GAS AND ELECTRIC  
GAS PLANT

COMPARISON OF EQUAL LIFE GROUP vs AVERAGE SERVICE LIFE  
CALCULATED ANNUAL DEPRECIATION EXPENSE AS OF DECEMBER 31, 2006

(1) ACCOUNT	(2) SURVIVOR CURVE	(3) NET SALVAGE PERCENT	ELG		(6) CALCULA ACCURAL AMOUNT
			(4) ACCURAL AMOUNT	(5) ANNUAL ACCURAL RATE	
<b>GENERAL PLANT</b>					
392.20	20-L1	5	31,171	6.56	22,619
394.00	25-SQ	0	162,575	4.68	162,575
395.00	15-SQ	0	158,291	36.02	158,291
396.20	25-R1.5	5	1,733	3.25	1,436
	TOTAL GENERAL PLANT		353,770	7.86	344,921
	TOTAL DEPRECIABLE PLANT		16,360,115	3.16	12,524,511

LOUISVILLE GAS AND ELECTRIC  
COMMON PLANT

COMPARISON OF EQUAL LIFE GROUP vs AVERAGE SERVICE LIFE  
CALCULATED ANNUAL DEPRECIATION EXPENSE AS OF DECEMBER 31, 2006

	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SAVAGE PERCENT (3)	ELG		ASL		DIFFERENCE (8)=(4)-(6)
				ACCUMULATED ANNUAL AMOUNT (4)	ACCURUAL RATE (5)	ACCUMULATED ANNUAL AMOUNT (6)	ACCURUAL RATE (7)	
<b>DEPRECIABLE PLANT</b>								
	<b>STRUCTURES AND IMPROVEMENTS</b>							
390.10	GENERAL OFFICE	35-R2	(10)	1,975,588	4.01	1,626,107	3.30	349,481
390.20	TRANSPORTATION	25-R2.5	(5)	125,961	29.19	111,878	25.92	14,083
390.30	STORES	45-R3	(6)	188,048	1.72	164,973	1.51	23,075
390.40	SHOPS	45-R4	(5)	8,624	1.45	8,055	1.37	569
390.60	MICROWAVE	45-R3	(5)	22,838	2.67	19,745	2.31	3,093
	<b>OFFICE FURNITURE AND EQUIPMENT</b>							
391.10	FURNITURE	20-SQ	0	758,143	6.06	752,466	6.01	5,675
391.20	EQUIPMENT	15-SQ	0	297,134	8.89	293,471	8.76	3,663
391.30	COMPUTER EQUIPMENT	5-SQ	0	4,237,208	22.05	4,219,636	21.96	17,572
391.31	PERSONAL COMPUTER	5-SQ	0	319,003	26.19	251,869	20.68	67,134
391.40	SECURITY EQUIPMENT	10-SQ	0	178,459	6.99	177,022	6.93	1,436
	<b>TRANSPORTATION EQUIPMENT - TRAILERS</b>							
392.00	STORES EQUIPMENT	27-O1	5	2,221	3.50	1,669	2.63	552
393.00	TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	0	67,785	5.50	67,785	5.60	0
394.00	LABORATORY EQUIPMENT	25-SQ	0	179,536	5.17	179,536	5.17	0
395.00	POWER OPERATED EQUIPMENT - OTHER	15-SQ	0	13,645	61.24	13,645	61.24	0
396.00	COMMUNICATION EQUIPMENT	25-S1.5	10	656	4.64	568	4.01	88
397.00	MISCELLANEOUS EQUIPMENT	15-SQ	0	4,365,671	12.00	4,365,671	12.00	0
398.00	MISCELLANEOUS EQUIPMENT	10-SQ	0	51,982	0.90	51,982	0.90	0
				205,861	34.63	205,861	34.63	0
	<b>TOTAL DEPRECIABLE PLANT</b>			<b>12,998,362</b>	<b>8.75</b>	<b>12,512,141</b>	<b>8.43</b>	<b>486,221</b>

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 89**

**Witness: Shannon L. Charnas**

Q-89. Provide the Company's FERC Form 1 and 2 reports for the years 2003 - 2007.

A-89. See response to AG-15.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 90**

**Witness: Shannon L. Charnas**

- Q-90. Please reconcile the plant balances used to calculate the rates in the Depreciation Study with the plant balances shown in the Company's FERC Form 1 and 2 reports for the same year.
- A-90. See response to AG-15.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 91**

**Witness: Shannon L. Charnas**

Q-91. Please reconcile the reserve balances used to calculate the rates in the Depreciation Study with the reserve balances shown in the Company's FERC Form 1 and 2 reports for the same year.

A-91. See table below for reconciliations.

**Reconciliation of Form 1 to the Depreciation Study**

**Accumulated Provision for Depreciation, Amortization and Depletion of Electric Utility Plant:**

LG&E 2006 Form 1, Depreciation, page 200, line 18, column (c):	\$ 1,487,732,150
LG&E 2006 Form 1, Amortization, page 200, line 21, column (c):	100
Total	<u>\$ 1,487,732,250</u>
Depreciation Study, page III-11, Total Electric Plant, Book Depreciation Reserve, column (5)	\$ 1,497,558,803
(Less) Retirement Work in Progress (FERC Acct 108)	(12,042,096)
(Add) Asset Retirement Cost Reserves	2,215,543
Total	<u>\$ 1,487,732,250</u>
Difference	<u>-</u>

**Accumulated Provision for Depreciation, Amortization and Depletion of Gas Utility Plant:**

LG&E 2006 Form 1, Depreciation, page 201, line 18, column (d):	\$	195,901,452
LG&E 2006 Form 1, Amortization, page 201, line 21, column (d):		800
Total	\$	<u>195,902,252</u>
Depreciation Study, page III-11, Total Gas Plant, Book Depreciation Reserve, column (5)	\$	198,132,379
(Less) Retirement Work in Progress (FERC Acct 108)		(2,641,269)
(Add) Asset Retirement Cost Reserves		411,142
Total	\$	<u>195,902,252</u>
Difference		<u>-</u>

**Accumulated Provision for Depreciation, Amortization and Depletion of Common Utility Plant:**

LG&E 2006 Form 1, Depreciation, page 201, line 18, column (h):	\$	67,579,442
LG&E 2006 Form 1, Amortization, page 201, line 21, column (h):		15,376,658
Total	\$	<u>82,956,100</u>
Depreciation Study, page III-12, Total Common Plant, Book Depreciation Reserve, column (5)	\$	77,815,542
(Add) Retirement Work in Progress (FERC Acct 108)		5,139,428
(Add) Asset Retirement Cost Reserves		1,131
Total	\$	<u>82,956,101</u>
Difference due to rounding		<u>(1)</u>



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 92**

**Witness: Shannon L. Charnas / Robert M. Conroy**

Q-92. Please provide all FERC audit reports and the Company's responses thereto during the last 10 years.

A-92. Please see the documents on the attached CD.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 93**

**Witness: Shannon L. Charnas**

- Q-93. Please provide any and all internal studies and correspondence concerning the Company's implementation of FASB Statement No. 143, FIN 47 and FERC Order No. 631 in RM-02-7-000.
- A-93. A copy of all documents responsive to this request that are not subject to the attorney-client privilege or attorney work product protection are provided on the attached CD, as well as in the response to AG-99.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 94**

**Witness: Shannon L. Charnas**

- Q-94. Please provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143, FIN 47 and FERC Order 631 in RM02-7-000:
- a. External auditors and other public accounting firms.
  - b. Consultants
  - c. External counsel
  - d. Federal and State regulatory agencies
  - e. Internal Revenue Service
- A-94. a. Please see response to AG-93 for the Executive Summaries of FASB No. 143 and FIN 47 as well as email correspondence. Please see response to AG-103 for audit opinion letters covering SFAS No. 143 and FIN 47. Please see attachment for other correspondence with external auditors.
- b. The Company had no correspondence with any consultants regarding the implementation of FASB Statement No. 143, FIN 47 or FERC Order 631 in RM02-7-000.
- c. All responsive correspondence with external counsel is subject to the attorney-client privilege.
- d. Please see attached.
- e. The Company had no correspondence with the IRS regarding the implementation of FASB Statement No. 143, FIN 47 or FERC Order 631 in RM02-7-000.



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## Memo

To: / Location: 2003 LG&E Audit Files

From: / Location: Jim Moore / PwC – Louisville

Date: April 22, 2003

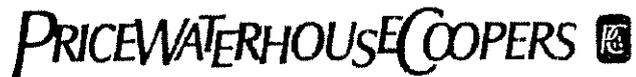
Subject: Income Statement Presentation of the Adoption of FAS 143

During the first quarter of 2003 LG&E Energy Corp adopted FAS 143. The impact of adoption on retained earnings was zero at the regulated utilities because of the FAS 71 treatment of the regulatory mechanism at LG&E and KU. Pursuant to APB 20, *Accounting Changes*, in detail below, the definition of cumulative effect of a change in accounting is the change in retained earnings upon adoption of the new standard to reflect the balances as if the standard has always been in place.

FERC specifically requires the utilities to treat the adoption in two accounts within the income statement. The first is the effect of adoption without regulatory treatment, and the second is in regulatory credits. FERC reporting is prepared in accordance with the accounting requirements of the FERC as set forth in its applicable *Uniform System of Accounts* and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, therefore this treatment is acceptable. The Powergen P+7 management reporting is also reported on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

When reporting with the SEC, however, the utilities are required to follow the definition of APB 20 due to the fact that the SEC requires reporting under GAAP. Therefore, the cumulative effect definition in APB 20 would take precedent over the FERC guidelines and the two accounts described above would be combined to total zero in the cumulative effect of adoption line on the income statement. This position was consulted with Randy Vitray, National R&Q Partner and he noted no exceptions.

Cc: Glen French, Valerie Scott, Jim Callihan, and Ian Vallance



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**APB 20: Accounting Changes**

20. *Cumulative effect of a change in accounting principle.* The amount shown in the income statement for the cumulative effect of changing to a new accounting principle is the difference between (a) the amount of retained earnings at the beginning of the period of a change and (b) the amount of retained earnings that would have been reported at that date if the new accounting principle had been applied retroactively for all prior periods which would have been affected and by recognizing only the direct effects of the change and related income tax effect.<sup>7</sup> The amount of the cumulative effect should be shown in the income statement between the captions "extraordinary items" and "net income." The cumulative effect is not an extraordinary item but should be reported in a manner similar to an extraordinary item.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND )  
ELECTRIC COMPANY FOR AN ORDER )  
APPROVING AN ACCOUNTING ADJUSTMENT TO ) CASE NO.  
BE INCLUDED IN EARNINGS SHARING ) 2003-00426  
MECHANISM CALCULATIONS FOR 2003 )

AND

APPLICATION OF KENTUCKY UTILITIES )  
COMPANY FOR AN ORDER APPROVING AN )  
ACCOUNTING ADJUSTMENT TO BE INCLUDED ) CASE NO.  
IN EARNINGS SHARING MECHANISM ) 2003-00427  
CALCULATIONS FOR 2003 )

O R D E R

On November 14, 2003, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively the "Companies") filed applications seeking approval of an accounting adjustment to their respective Earnings Sharing Mechanism ("ESM") filings for calendar year 2003. The accounting adjustment is related to the Companies' adoption during 2003 of Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*.

The Kentucky Industrial Utility Customers, Inc. ("KIUC") sought and was granted intervention in this proceeding.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, with an effective implementation date of January 1, 2003. In October 2002, the Federal Energy Regulatory Commission ("FERC") issued a Notice of Proposed Rulemaking to

modify the Uniform System of Accounts and the FERC annual report forms. FERC issued its final rule on April 9, 2003, generally adopting the requirements of SFAS No. 143.<sup>1</sup>

In conjunction with the adoption of SFAS No. 143, the Companies were required to recognize the "cumulative effect impact" on their respective financial statements, which represents the asset retirement obligation ("ARO") asset depreciation and ARO liability accretion that would have been recorded had the asset and liability been recorded by the Companies when the original asset was placed into service.<sup>2</sup> The timing of cost recognition under SFAS No. 143 and differences in rate recovery methods could result in the need for the Companies to record regulatory assets or liabilities. As part of the entries to record the adoption of SFAS No. 143, LG&E and KU have each recorded a regulatory asset and a regulatory liability.<sup>3</sup>

LG&E and KU state that the accounting required in conjunction with the adoption of SFAS No. 143 results in their respective net operating incomes for calendar year 2003 being overstated for ESM calculation purposes. The overstatement occurs because the cumulative effect impact adjustments are recorded "below the line" while

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<sup>1</sup> FERC Docket No. RM02-7-000, Order No. 631, *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*, Final Rule Issued April 9, 2003.

<sup>2</sup> LG&E has recorded a net cumulative effect impact of \$5,281,000 while KU has recorded a net cumulative effect impact of \$9,926,000. See Application, Exhibit 1 for LG&E and KU.

<sup>3</sup> LG&E has recorded a regulatory asset of \$5,281,000 and a regulatory liability of \$59,000 related to the adoption of SFAS No. 143. KU has recorded a regulatory asset of \$9,926,000 and a regulatory liability of \$910,000. See Response to the Commission Staff's First Data Request dated December 5, 2003, Item 4(b).

the corresponding regulatory credit is recorded "above the line." The Companies request authorization to offset this "above the line" regulatory credit when performing their respective ESM calculations for calendar year 2003. The Companies also request Commission approval to establish the regulatory asset and liability accounts associated with the adoption of SFAS No. 143.<sup>4</sup>

On December 19, 2003, the Companies and KIUC filed a stipulation agreement ("Stipulation") where the parties recommend the Commission issue an Order granting the applications of LG&E and KU subject to the accounting procedures described in the Stipulation. The parties request the Commission issue an Order which:

- 1) Approves the regulatory assets and liabilities associated with adopting SFAS No. 143 and going forward;
- 2) Eliminates the impact on net operating income in the 2003 ESM annual filing caused by adopting SFAS No. 143;
- 3) To the extent accumulated depreciation related to the cost of removal is recorded in regulatory assets or regulatory liabilities, such amounts will be reclassified to accumulated depreciation for rate-making purposes of calculating rate base; and
- 4) The ARO assets, related ARO asset accumulated depreciation, ARO liabilities, and remaining regulatory assets associated with the adoption of SFAS No. 143 will be excluded from rate base.<sup>5</sup>

A copy of the Stipulation is attached to this Order as Appendix A.

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<sup>4</sup> Response to the Commission Staff's First Data Request dated December 5, 2003, Item 2(c). The Companies did not previously seek approval to establish the regulatory asset and liability accounts based on the assumption that the cost of removal was covered by the Commission's previous approval of the depreciation rates currently in effect. However, the Companies stated that if the Commission did not agree with the assumption, the Companies also request the approval of the regulatory asset and liability accounts in this proceeding.

<sup>5</sup> Stipulation at 5.

The Commission has reviewed the information provided by the Companies and the terms of the Stipulation, and finds that the requested accounting treatments should be approved. The cumulative effect impact reflects the restatement of account balances in accordance with the requirements of SFAS No. 143. The determination of the calendar year 2003 ESM calculations should exclude this change in accounting treatment when determining the Companies' net operating income for ESM purposes.

Concerning the establishment of the regulatory asset and liability accounts, LG&E and KU are reminded that the prior approval of the Commission is required before these accounts are established. However, given the fact the regulatory asset and liability accounts established by the Companies were a direct result of the adoption of SFAS No. 143, in this case the Commission will approve the establishment of these regulatory asset and liability accounts. This approval is for accounting purposes only, and the appropriate rate-making treatment for these regulatory asset and liability accounts will be addressed in the Companies' next general rate case. LG&E and KU are reminded that in the future the Commission's prior approval will be required before regulatory asset or liability accounts are established.

The Commission is not clear as to the exact meaning of Nos. 3 and 4 on page 5 of the Stipulation. When the Stipulation is read as a whole, it appears to address the accounting treatment for the adoption of SFAS No. 143 and how the associated accounting entries will be treated in the calendar year 2003 ESM calculations. However, both discuss rate-making treatments for the calculation of rate base without distinguishing whether the rate base treatments described apply only to the calendar year 2003 ESM calculations or to a general base rate proceeding. Based upon our

understanding of the provisions of the Stipulation, the Commission finds that Nos. 3 and 4 should be approved for purposes of the calendar year 2003 ESM calculations only. Consistent with our approval of the regulatory asset and liability accounts, the Commission will address the rate-making treatment for base rates in the next general rate case. The Commission will ask the Companies and KIUC to indicate their acceptance of our approval as described above.

In responses to the Commission Staff's data request, LG&E indicated that no assets associated with AROs are currently included in LG&E's environmental surcharge while KU indicated that three assets associated with AROs are currently included in KU's environmental surcharge.<sup>6</sup> KU estimated the impact of SFAS No. 143 on its environmental surcharge calculations, and expressed the opinion that the asset removal costs impacted by the adoption of SFAS No. 143 should continue to be recovered through the environmental surcharge.<sup>7</sup>

While the Commission believes it was reasonable to determine whether the adoption of SFAS No. 143 could have an impact on the Companies' environmental surcharge, we find it is not reasonable to resolve that issue in this proceeding. The record is not sufficiently developed to support a decision addressing what changes, if any, should be made to KU's environmental surcharge due to the adoption of SFAS No. 143. Therefore, KU should address the affects the adoption of SFAS No. 143 has had on its environmental surcharge as part of its next 6-month environmental surcharge review.

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<sup>6</sup> Id., Item 1(b).

<sup>7</sup> Id., Item 1(c).

IT IS THEREFORE ORDERED that:

1. The accounting treatment for LG&E's and KU's adoption of SFAS No. 143 and the related treatment in the calendar year 2003 ESM calculations as described in the Stipulation are approved as modified in this Order.

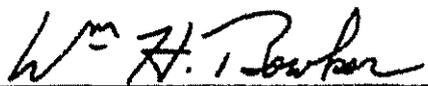
2. The regulatory asset and liability accounts established by the adoption of SFAS No. 143 are approved for accounting purposes only.

3. The rate base treatments discussed in Nos. 3 and 4 of page 5 of the Stipulation are adopted for calendar year 2003 ESM calculation purposes only. LG&E, KU, and KIUC shall within 10 days of the date of this Order file written statements agreeing to this interpretation of the Stipulation.

Done at Frankfort, Kentucky, this 23<sup>rd</sup> day of December, 2003.

By the Commission

ATTEST:

  
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Executive Director

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APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION  
IN CASE NOS. 2003-00426 AND 2003-00427 DATED December 23, 2003

(see document named "200300426\_12232003apx.pdf" for appendix)



**Kent W. Blake**  
Director  
State Regulation and Rates

LG&E Energy LLC  
220 West Main Street  
Louisville, Kentucky 40202  
502-627-2573  
502-217-2442 FAX  
kent.blake@lgeenergy.com

January 23, 2006

Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

Dear Ms. O'Donnell:

On November 14, 2003 Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KUP") (collectively the "Companies") filed applications (Case No. 2003-00426 and Case No. 2003-00427, respectively) seeking approval of accounting adjustments to their respective Earnings Sharing Mechanism filings for calendar year 2003. The accounting adjustment related to the Companies' adoption during 2003 of Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*. During that proceeding, the Companies also requested approval to establish the regulatory asset and liability accounts associated with the adoption of SFAS No. 143. The accounting treatment and the establishment of the regulatory asset and liability accounts were approved by the Commission in their December 23, 2003 order in the two referenced cases.

In March 2005, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143* ("FIN 47"). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143 refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Stated otherwise: While the initial implementation of SFAS No. 143 required the accrual of an asset retirement obligation ("ARO") liability for legally required removal costs, AROs were not recorded for legally required disposal costs related to assets which themselves were never legally required to be retired. Therefore, even though a legal requirement may have existed to dispose of items such as asbestos once the building was leveled, there was no legal requirement to level the

Elizabeth O'Donnell

Page 2

January 23, 2006

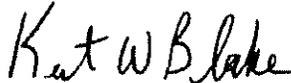
building (it could be abandoned in place), and so no ARO was recorded under SFAS 143. FIN 47 has provided interpretative guidance around this issue which resulted in the establishment of AROs for these "conditional" obligations based on the premise that, barring intervening circumstances, the building containing the asbestos will be removed from service as a result of its eventual deterioration. The ability of an entity to indefinitely defer settlement of an ARO does not relieve the entity of the obligation.

As a result of the issuance of FIN 47, the Companies recorded additional AROs, based on the authority to do so granted by the Commission in its December 23, 2003 Order. The accounting treatment for these additional AROs under FIN 47 remains the same as AROs set up under SFAS No. 143. In December 2005, LG&E recorded an additional \$12,254,653 and \$15,678,893 to the Regulatory Asset and Regulatory Liability accounts, respectively, established in 2003 for the adoption of SFAS No. 143 and approved by the Commission in Case No. 2003-00426. In December 2005, KU recorded an additional \$4,101,872 and \$4,587,474 to the Regulatory Asset and Regulatory Liability accounts, respectively, established in 2003 for the adoption of SFAS No. 143 and approved by the Commission in Case No. 2003-00427. The journal entries made by the Companies as required by the implementation of FIN 47 are shown on the enclosed documents.

As with the accounting for the ARO's in connection with the adoption of SFAS No. 143, the accounting for the implementation of FIN 47 will have no impact on the income statement or the net assets in the balance sheet. Furthermore, from a rate making perspective, the Companies believe that an adjustment is not needed for capitalization because the accounting for the AROs, consistent with the Commission's December 23, 2003 Order in Case No. 2003-00426 and Case No. 2003-00427, effectively removes all impacts of ARO accounting from the income statement and net assets in the balance sheet, accordingly, there is no impact on common equity or other capitalization accounts. The recorded regulatory assets, liabilities and credits offset the effects of the ARO accounting. However, the Companies do remove the AROs from the determination of rate base in accordance with the December 23, 2003 Order.

Should you have any questions concerning the enclosed or wish to schedule an informal conference to discuss the Companies implementation of FIN 47, please do not hesitate to contact me.

Sincerely,



Kent W. Blake

Enclosure

cc: Elizabeth E. Blackford  
Michael L. Kurtz

Louisville Gas and Electric Company  
ARO JOURNAL ENTRIES REQUIRED AT IMPLEMENTATION

DESCRIPTION	DEBIT	CREDIT
Long Lived Assets - ARO	2,022,811	
COR Liability Accrued to Date	2,424,398	
Regulatory Asset	12,254,883	
Cumulative Effect	12,254,883	
Regulatory Credits		12,254,883
Regulatory Liability		1,022,888
Accumulated Depreciation of ARO Asset		1,022,888
ARO Liability		15,878,883
	28,958,213	28,958,213

*To record the implementation of FIN 47 (detail entries shown below)*

Long Lived Assets - ARO - BS Account 101 (Plant Account 317)	2,022,811	
ARO Liability - BS Account 230		2,022,811

*To record the initial present value of ARO liability*

Upon implementation of FIN 47 the ARO liability (in current dollars) must be future valued at the anticipated inflation rate. The ARO liability must then be present valued back to when the liability was incurred using risk free rate plus risk premium at the time the liability was incurred. The ARO asset is valued at the present value of the liability at the time the liability is incurred.

Cumulative Effect Adjustment - IS Account 435	1,022,888	
Accumulated Depreciation of ARO Asset - BS Account 108		1,022,888

*To record accumulated depreciation on ARO assets*

The ARO Asset is depreciated straight-line over the calculated ARO life. The cumulative effect adjustment is offset by a credit to Other Regulatory Credits (Account 407) and a debit to Regulatory Assets (Account 182.3)

Cumulative Effect Adjustment - IS Account 435	13,858,382	
ARO Liability - BS Account 230		13,858,382

*To record accumulated accretion on ARO liability*

The total accretion expense that would have been incurred if the liability was accreted from the time the liability was incurred to date. The cumulative effect adjustment is offset by a credit to Other Regulatory Credits (Account 407) and a debit to Regulatory Assets (Account 182.3)

Accumulated Depreciation - BS Account 108	2,424,398	
Cumulative Effect Adjustment - IS Account 435		2,424,398

*To reclassify existing Cost of Removal*

The COR liability currently reflected on the Balance Sheet must be fully reversed from the reserve. The cumulative effect adjustment is offset by a credit to Other Regulatory Credits (Account 407) and a debit to Regulatory Assets (Account 182.3)

Regulatory Assets - BS Account 182.3	12,254,883	
Regulatory Credits - IS Account 407		12,254,883

*Because ARO costs qualify for SFAS No. 71 treatment the cumulative effect adjustment is offset by a credit to Other Regulatory Credits (Account 407) and a debit to Regulatory Assets (Account 182.3)*

Kentucky Utilities Company  
ARO JOURNAL ENTRIES REQUIRED AT IMPLEMENTATION

DESCRIPTION	DEBIT	CREDIT
Long Lived Assets - ARO	748,748	
COR Liability Accrued to Date	-	
Regulatory Asset	4,101,872	
Cumulative Effect	4,101,872	
Regulatory Credits		4,101,872
Regulatory Liability		-
Accumulated Depreciation of ARO Asset		281,144
ARO Liability		4,587,474
	8,950,490	8,950,490
<i>To record the implementation of FIN 47 (debit entries shown below)</i>		
Long Lived Assets - ARO - BS Account 101 (Plant Account 317)	748,748	
ARO Liability - BS Account 230		748,748
<i>To record the initial present value of ARO liability</i>		
Upon implementation of FIN 47 the ARO liability (in current dollars) must be future valued at the anticipated inflation rate. The ARO liability must then be present valued back to when the liability was incurred using risk free rate plus risk premium at the time the liability was incurred. The ARO asset is valued at the present value of the liability at the time the liability is incurred.		
Cumulative Effect Adjustment - IS Account 435	281,144	
Accumulated Depreciation of ARO Asset - BS Account 108		281,144
<i>To record accumulated depreciation on ARO assets</i>		
The ARO Asset is depreciated straight-line over the calculated ARO life. The cumulative effect adjustment is offset by a credit to Other Regulatory Credits (Account 407) and a debit to Regulatory Assets (Account 182.3)		
Cumulative Effect Adjustment - IS Account 435	3,840,728	
ARO Liability - BS Account 230		3,840,728
<i>To record accumulated accretion on ARO liability</i>		
The total accretion expense that would have been incurred if the liability was accreted from the time the liability was incurred to date. The cumulative effect adjustment is offset by a credit to Other Regulatory Credits (Account 407) and a debit to Regulatory Assets (Account 182.3)		
Accumulated Depreciation- BS Account 108	-	
Cumulative Effect Adjustment - IS Account 435		-
<i>To reverse existing Cost of Removal</i>		
The COR liability currently reflected on the Balance Sheet must be fully reversed from the reserve. The cumulative effect adjustment is offset by a credit to Other Regulatory Credits (Account 407) and a debit to Regulatory Assets (Account 182.3)		
Regulatory Assets - BS Account 182.3	4,101,872	
Regulatory Credits - IS Account 407		4,101,872
<i>Because ARO costs qualify for EPA's No. 71 treatment the cumulative effect adjustment is offset by a credit to Other Regulatory Credits (Account 407) and a debit to Regulatory Assets (Account 182.3)</i>		



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 95**

**Witness: Shannon L. Charnas**

- Q-95. Regarding FASB Statement No. 143, FIN 47, and FERC Order No. 631 in Docket No. RM02-7-000, on a plant account-by-plant account basis, please identify any and all "legal obligations" associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, please use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."
- A-95. Please see the file entitled "LGE-AG-1-99 KU-AG-1-92 Final Weighted ARO Settlement 3-03-24" for SFAS No. 143 legal retirement obligations provided on the attached CD in response to AG-99. Also, please see the file entitled "LGE-AG-1-99 KU-AG-1-92 AROP-AROC-LGE-KU FASB 143" for legal obligations by plant account.

For FIN 47 legal obligations on a plant account basis, please see the file entitled "LGE-AG-1-99 ARO-GAAP LGE FIN 47 – implementation" provided with the response to AG-99 for plant account and legal obligation.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 96**

**Witness: Shannon L. Charnas**

- Q-96. For any asset retirement obligations identified above, please provide the "fair value" of the obligation. For the purposes of the question, fair value means "the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction." Please provide all assumptions and calculations underlying these amounts.
- A-96. Please see the SFAS No. 143 and FIN 47 models provided with the response to AG-99 for plant account and legal obligation.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 97**

**Witness: Shannon L. Charnas**

Q-97. Please provide the "credit adjusted risk free rate" used for any and all ARO calculations under FASB Statement No. 143, FIN 47, and FERC Order No. 631 calculations to date.

A-97. The "credit adjusted risk free rate" used for FASB Statement No. 143 was 6.61%. The "credit adjusted risk free rate" for FIN 47, provided by E.ON AG was 5.668% and 5.837% for assets whose remaining lives were 17 years and 30+ years, respectively. FERC Order No. 631 does not have separate calculations.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 98**

**Witness: Shannon L. Charnas**

- Q-98. Please provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's electric, gas and/or common plant depreciation rates; retirement unit costs; SFAS No. 143; FIN 47; and, FERC RM02-7-000.
- A-98. Copies of the minutes that contain discussion of the above-listed matters are included on the attached CD.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 99**

**Witness: Shannon L. Charnas**

- Q-99. Please provide the accounting entries (debits and credits) used to implement SFAS No. 143 and FIN 47, along with all workpapers supporting those entries. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact.
- A-99. See files provided on the attached CD for the entries, workpapers and calculations of the implementation of SFAS No. 143 and FIN 47.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 100**

**Witness: Shannon L. Charnas**

Q-100. Please provide the regulatory liability for removal costs that LG&E is required to report in its GAAP financial statements (per SFAS No. 143 and SEC direction) for December 31, 2005, 2006 and when available, 2007.

A-100. The regulatory liability reported for the accumulated net cost of removal in LG&E's GAAP financial statements was \$219 million, \$232 million and \$241 million at December 31, 2005, 2006 and 2007, respectively.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 101**

**Witness: Shannon L. Charnas**

Q-101. Please provide the workpapers supporting the calculation of the regulatory liability for removal costs as reported in the preceding question. Please provide these workpapers in electronic format (Excel), with all formulae intact. Provide the calculations on a plant account-by-plant account basis.

A-101. Each month the Oracle Fixed Asset System multiplies the ending asset values by the cost of removal depreciation rate to arrive at the monthly depreciation amount. This monthly amount is added to the prior month's ending reserve balance to compute the current ending balance. These calculations are performed in an automated fashion within the Oracle Fixed Asset System.

The regulatory liability reported in the preceding question is the summation of the ending reserve value in each plant account plus the ending balance in retirement work in progress. Please see the Excel file entitled "LGE-AG-1-101 Attachment" on the attached CD for a listing of the December 31, 2006 reserve values by plant account.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 102**

**Witness: Shannon L. Charnas**

Q-102. What impact, if any, did the application of FIN 47 have upon the proposed depreciation rates and expense in this case? Provide all workpapers supporting the answer. If the application of FIN 47 had no impact please explain why not.

A-102. FIN 47 had no impact on the depreciation rates or expense in this case.

“AROP” assets are the underlying assets on which the Company established an ARO as a result of the FIN 47 implementation. These assets were depreciated using depreciation rates approved by the Kentucky Commission in Case No. 2001-141 prior to the implementation of FIN 47 and continued to be depreciated using the same rates after the implementation of FIN 47.

“AROC” assets were set up as a result of the implementation of FIN 47. These assets are being depreciated using the same approved depreciation rates less the cost of removal component. AROC depreciation expense is income statement neutral as it is offset by a regulatory credit and reclassified to a regulatory asset on the balance sheet. This accounting treatment is in accordance with the general principles of SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, and the Kentucky Commission Order in Case No. 2003-00426.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 103**

**Witness: Shannon L. Charnas**

Q-103. Provide an analysis of the regulatory liability for accrued asset removal costs since inception identifying and explaining each debit and credit entry and amount. Also, provide the copies of the pages from each of LG&E's SEC Form 10Ks, Form 10Qs and Annual Reports in which SFAS No. 143 was ever mentioned, whether or not LG&E had quantified an amount of the regulatory liability at the time. Specify the exact date each of these reports was issued and released to the public.

A-103. Please see the following table for an analysis of the regulatory liability for accrued asset removal cost since inception:

Regulatory Liability Balance 12/31/03	\$ (216,490,616)
Depreciation	(16,318,457)
Net Cost of Removal Charges	<u>12,595,566</u>
Regulatory Liability Balance 12/31/04	<u>(220,213,507)</u>
Depreciation	(16,849,489)
Net Cost of Removal Charges	7,509,011
Reclass of COR to Regulatory Liability from Life Reserves	8,260,343
FIN 47 Parent COR Transfer to FERC 254	<u>2,424,396</u>
Regulatory Liability Balance 12/31/05	<u>(218,869,246)</u>
Depreciation	(17,845,502)
Net Cost of Removal Charges	<u>4,476,149</u>
Regulatory Liability Balance 12/31/06	<u>(232,238,599)</u>
Depreciation	(17,610,294)
Net Cost of Removal Charges	<u>8,904,588</u>
Regulatory Liability Balance 12/31/07	<u><u>\$ (240,944,304)</u></u>

For copies of pages referencing SFAS No. 143 from LG&E's SEC Form 10Ks, Form 10Qs and Annual Reports, please see the file titled "LGE-AG-1-103 Attachment.pdf" on the attached CD. The following table specifies the date these reports were released:

<u>Document</u>	<u>Released Date</u>
2007 LG&E Annual Report	03/20/08
2007 KU Annual Report	03/20/08
2006 LG&E 10-K	03/21/07
2006 KU Annual Report	03/29/07
2006 LG&E and KU 10-Q, quarter ended 3/31/06	05/04/06
2005 LG&E and KU 10-K	03/30/06
2005 LG&E and KU 10-Q, quarter ended 9/30/05	11/10/05
2005 LG&E and KU 10-Q, quarter ended 6/30/05	08/12/05
2005 LG&E and KU 10-Q, quarter ended 3/31/05	05/13/05
2004 LG&E and KU 10-K	03/30/05
2003 LG&E and KU 10-K	03/30/04
2003 LG&E and KU 10-Q, quarter ended 9/30/03	11/13/03
2003 LG&E and KU 10-Q, quarter ended 6/30/03	08/13/03
2003 LG&E and KU 10-Q, quarter ended 3/31/03	05/14/03
2002 LG&E and KU 10-K	03/25/03
2002 LG&E and KU 10-Q, quarter ended 9/30/02	11/14/02
2002 LG&E and KU 10-Q, quarter ended 6/30/02	08/14/02
2002 LG&E and KU 10-Q, quarter ended 3/31/02	05/14/02
2001 LG&E and KU 10-K	03/28/02
2001 LG&E and KU 10-Q, quarter ended 3/31/01	11/14/01

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 104**

**Witness: Shannon L. Charnas**

Q-104. Provide LG&E's projection of the annual year-end balance in the regulatory liability for cost of removal obligations for LG&E, for the next 20 years. If not available for the next twenty years provide for as many years into the future that the projection is available. If this projection has not been made, please explain why not. Provide in electronic format (Excel) with all formulae intact.

- a. For this projection assume that all of LG&E's proposed depreciation rates are approved as requested.
- b. Explain all other assumptions used to make this projection.

A-104. For planning and budget purposes, LG&E currently projects the cost of removal obligations for a three year period. The latest projections include data through December 2010. Data past this time period is not available.

- a. The projections presented in the table below (in thousands) use LG&E's existing depreciation rates. Projections using proposed rates do not exist.
- b. Costs for the physical work associated in the removal of assets are projected during the three year planning period. These costs are based on historical trends for normal business activities and adjusted for one-time major projects that are approved during the three year planning horizon. Costs related to normal, on-going business activities are adjusted annually for inflation and labor increases, typically around 3% per annum.

Regulatory Liability projected balance 2007	\$ 241,906
Charges	(7,485)
Depreciation	17,556
Regulatory Liability projected balance 2008	251,977
Charges	(13,554)
Depreciation	17,556
Regulatory Liability projected balance 2009	255,979
Charges	(11,804)
Depreciation	17,556
Regulatory Liability projected balance 2010	<u>\$ 261,731</u>



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 105**

**Witness: Shannon L. Charnas**

Q-105. For all accounts for which LG&E has collected non-legal AROs, but instead recorded a regulatory liability (regulatory liability for cost of removal), please provide the fair value of the related asset retirement cost as of December 31, 2003; December 31, 2004; December 31, 2005, December 31, 2006 and December 31, 2007. For the purposes of this question, assume that LG&E has legal AROs for these accounts, and use the life and dispersion assumptions reflected in Mr. Spanos's depreciation study.

A-105. LG&E is not required under any accounting or regulatory standard to perform these hypothetical calculations. Therefore, these hypothetical calculations have not been prepared. Also, the regulatory liability relating to cost of removal does not constitute a regulatory liability for regulatory purposes in Kentucky.

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

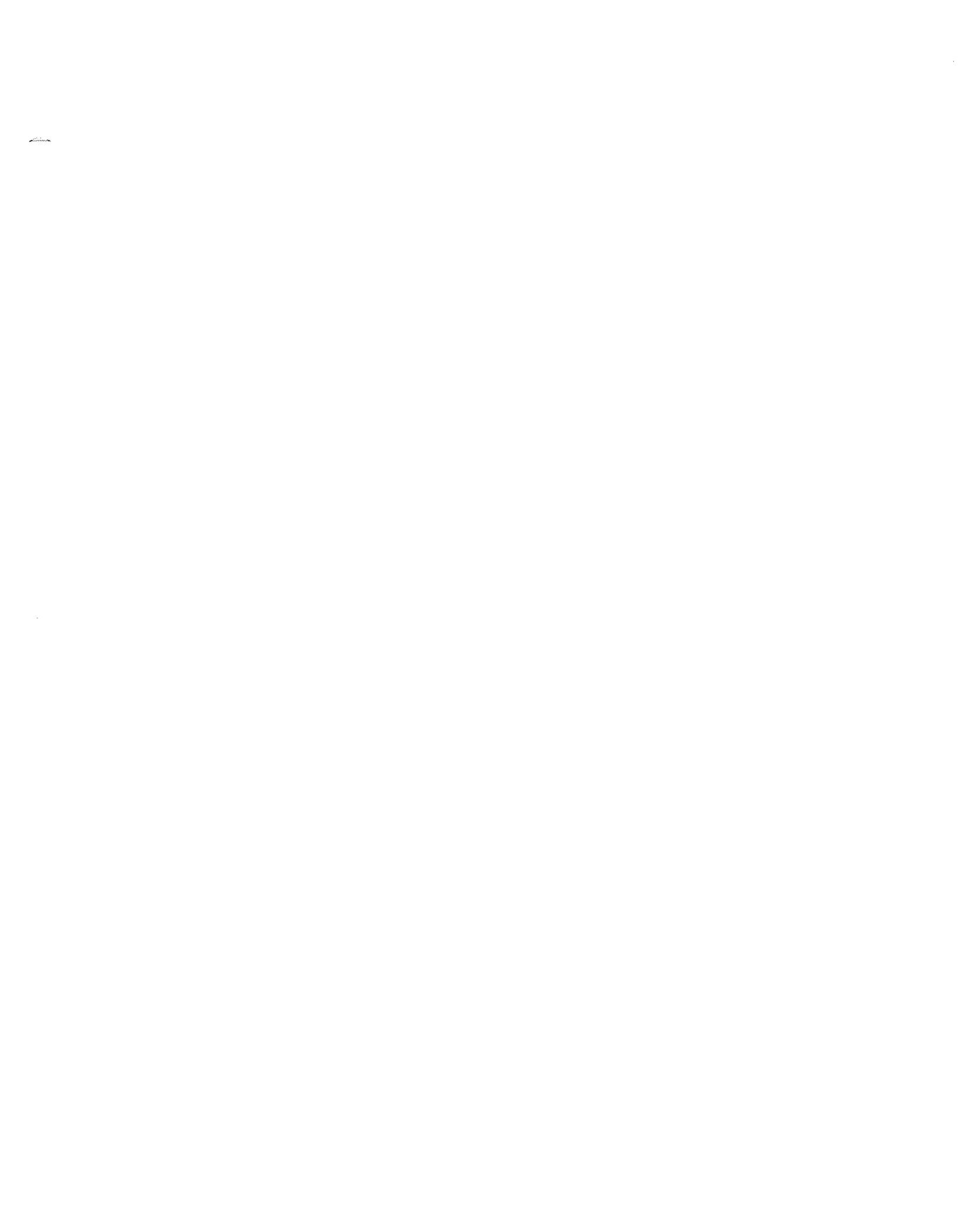
**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 106**

**Witness: Shannon L. Charnas**

- Q-106. Provide the calculation of the annual amount of future gross salvage, cost of removal and net salvage incorporated into LG&E's existing depreciation rates and in its proposed depreciation rates by account. If any of the amounts are reduced by the total amount of non-legal AROs included in year-end accumulated depreciation, show that calculation.
- A-106. See file on the attached CD for the calculation of the annual gross salvage, cost of removal and net salvage incorporated into LG&E's existing depreciation rates and in its proposed depreciation rates by account. None of the amounts are reduced by the amount of non-legal AROs.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

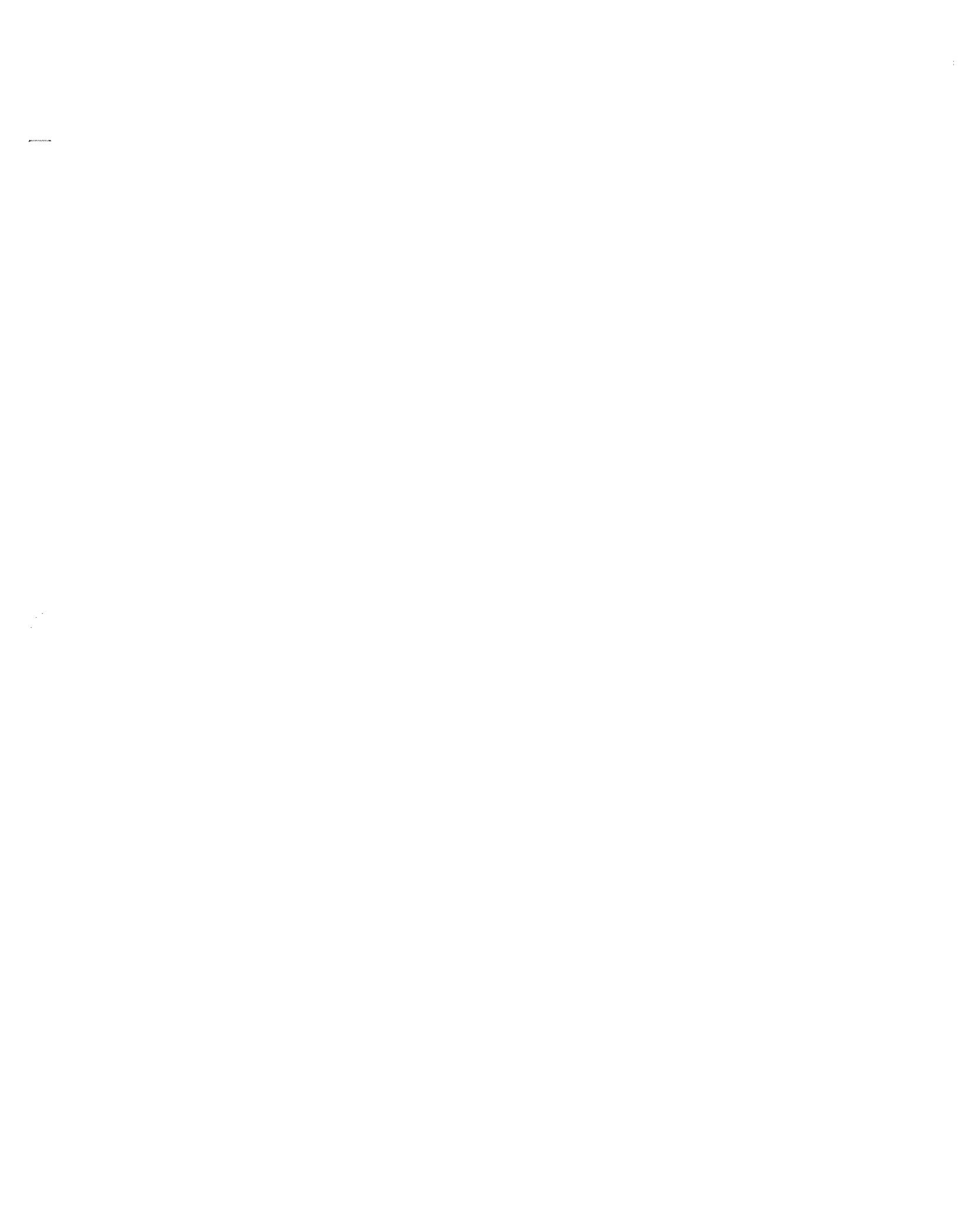
**Question No. 107**

**Witness: John J. Spanos**

Q-107. Are the amounts of cost of removal and gross salvage incorporated into the existing and proposed depreciation rates the same as they would have been in the absence of SFAS No. 143 and FIN 47? Please explain.

A-107. The amounts of cost of removal and gross salvage incorporated into the existing and proposed depreciation rates are the same as they would have been in the absence of SFAS No. 143 and FIN 47.

All of the cost of removal and gross salvage recorded on the books and developed into the depreciation rates are costs associated with normal business in the utility industry.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 108**

**Witness: Shannon L. Charnas / Counsel**

Q-108. With respect to the Regulatory Liability relating to cost of removal obligations which LG&E reclassified out of accumulated depreciation:

- a. Do you agree that this constitutes a regulatory liability for regulatory purposes in Kentucky? If not, please explain why not.
- b. Do you agree that this amount is a refundable obligation to ratepayers until it is spent on its intended purpose (cost of removal)? If not, why not?
- c. Please explain the repayment provisions associated with this regulatory liability.
- d. Please explain when you expect to spend this money for cost of removal.
- e. Please explain what you have done with this money as you have collected it. If you say that you have spent it on plant additions, please prove it.
- f. Identify and explain all other similar examples of LG&E's advance collections of estimated future costs for which it does not have a legal obligation.
- g. Does LG&E agree that the KY PSC will never know whether or not LG&E will actually spend all of this money for cost of removal until and if LG&E goes out of business? If not, why not?
- h. Does LG&E believe that amounts recoded in accumulated depreciation represent capital recovery? If not, why not?
- i. Whose capital is reflected in accumulated depreciation – shareholders' or ratepayers'?
- j. Does LG&E promise to remove each asset for which it is collecting cost of removal and does it promise to spend all of the money it is collecting for cost of removal, on cost of removal? If the answer is yes, explain why LG&E does not have legal AROs under the principal of promissory estoppel. Please explain.

A-108. a. No. The regulatory liability relating to cost of removal does not constitute a regulatory liability for regulatory purposes in Kentucky. These amounts were reclassified out of accumulated depreciation for external reporting purposes under U.S. generally accepted accounting principles. In FERC Order 631 (Docket No. RM02-7-000), which addresses retirement obligations, the FERC stated, " Under the existing requirements of the

Uniform System of Accounts removal costs that are not asset retirement obligations are included as a component of the depreciation expense and recorded as accumulated depreciation.” Therefore, this amount is not a regulatory liability for regulatory purposes in Kentucky.

- b. No. The amount was collected based upon Commission approved depreciation rates which were designed to recover the cost of removing assets in the future from the ratepayers that benefit from those assets. Also, for regulatory purposes in Kentucky it is a component of depreciation expense and is recorded in accumulated depreciation, not as a regulatory liability.
- c. There are no repayment provisions for this since it is not a regulatory liability for regulatory purposes in Kentucky.
- d. The money is spent as assets are removed, either by replacement or retirement.
- e. Amounts collected for cost of removal are recorded based on depreciation rates approved by the Commission. Since these rates have gone into the calculation of base rates charged to the customers, it is theoretically being collected from the customers along with all other costs and is not separately tracked. As with all other amounts collected from the customer, it has been used in the operations of the Company.
- f. Cost of removal is recognized as a current period cost in accumulated depreciation to address generational inequities that might otherwise arise due to the long lives of utility assets.
- g. No. The cost of removal component of depreciation rates is adjusted, if necessary, when periodic depreciation studies are completed. The Commission may periodically require depreciation studies to ensure the costs included in the approved depreciation rates are appropriately aligned with the expected lives of the assets and the costs to ultimately remove those assets. The FERC also requires separate records for cost of removal for non-legal asset retirement obligations recorded in accumulated depreciation per the Uniform System of Accounts and Order No. 631. These detailed records will allow the cost of removal expenditures to be monitored.
- h. No. Accumulated depreciation is the net of accrued depreciation, retirements, net salvage proceeds and accrued cost of removal for retirements. Accrued depreciation is a systematic allocation of the cost of assets over their useful lives and therefore conceptually represents recovery of the costs of those assets to the extent depreciation expense is included in the rates charged to the ratepayers.
- i. Accumulated depreciation represents the reduction of the carrying amount of assets owned by the Company and used to provide services to the ratepayers; therefore it reflects the recovery of shareholders’ capital.
- j. The Attorney General, misinterprets the concept of promissory estoppel in his question and the Company, therefore, cannot provide a meaningful answer to the question



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 109**

**Witness: Shannon L. Charnas**

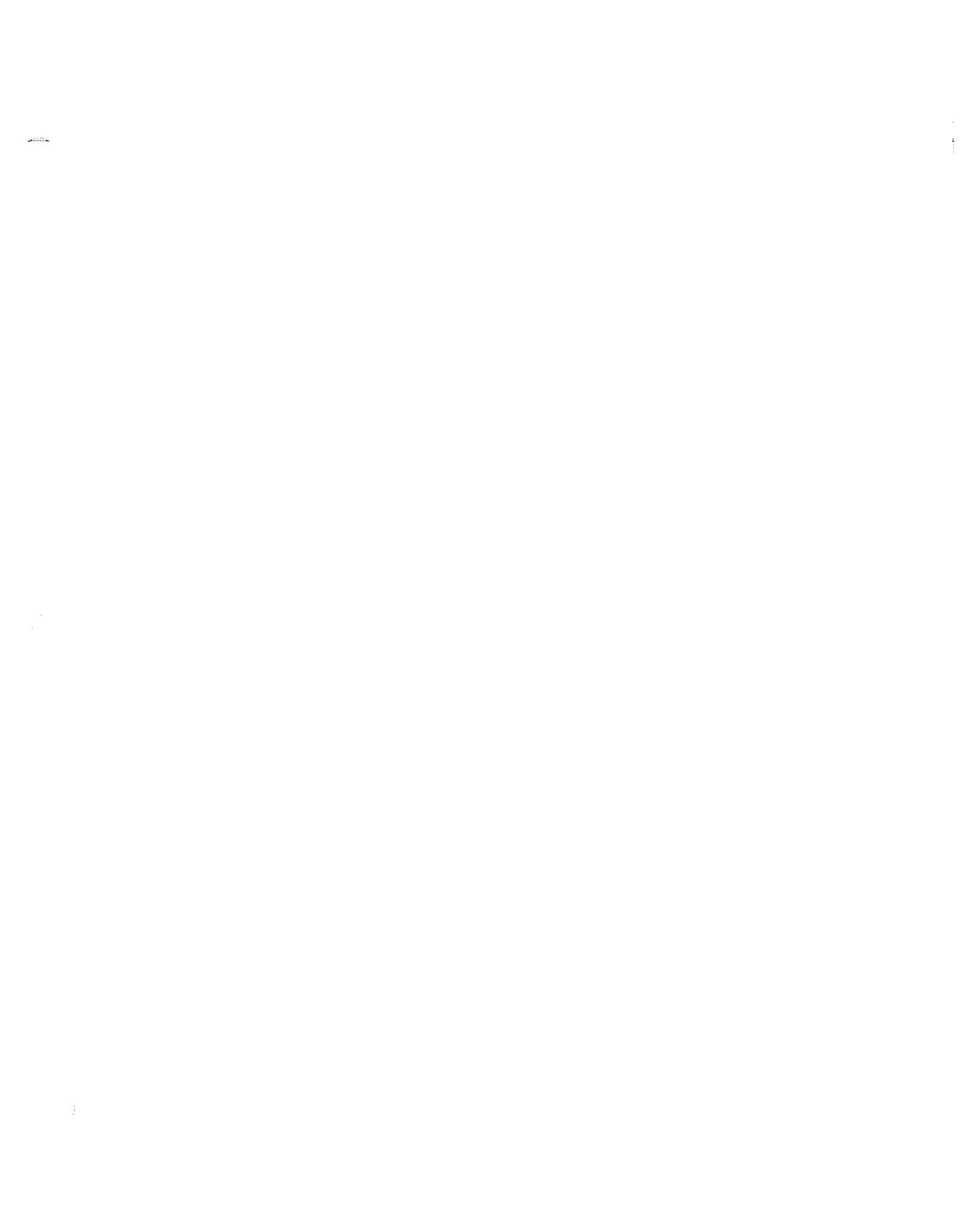
Q-109. Does LG&E consider that it is bound by SEC regulations to record accruals for future costs of removal as regulatory liabilities?

- a. If so, please provide a record of those accruals in as much account detail as is available along with the workpapers used to develop those accruals.
- b. If not, please explain why not.
- c. State whether the Company proposes to separate retirement cost accounting from depreciation accounting, with separate rates and reserves. If the Company does not propose such separation, please state fully the reasons for not doing so.

A-109. LG&E has deregistered from the SEC and is not bound by SEC regulations.

LG&E does record cost of removal as a regulatory liability for GAAP reporting. This is in compliance with SFAS No. 143, FIN 47 and the general principles of SFAS No. 71, *Accounting for Effects of Certain Types of Regulation*.

- a. Please see response to AG-103.
- b. Please see the answer above.
- c. The Company currently maintains separate rates and reserves for cost of removal and capital recovery.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 110**

**Witness: Shannon L. Charnas**

Q-110. Please identify and describe the level of detail, e.g. by account, functional category, at which the Company computes the depreciation expense for purposes of financial reporting, Commission reporting, and ratemaking. Explain fully any differences among these three depreciation calculations.

A-110. There are no differences made in computing depreciation expense for financial reporting, Commission reporting, and ratemaking. Depreciation expense is calculated at the plant account level for transmission, distribution, and general plant. Depreciation expense for generation plant is calculated by plant account for each generating unit location.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

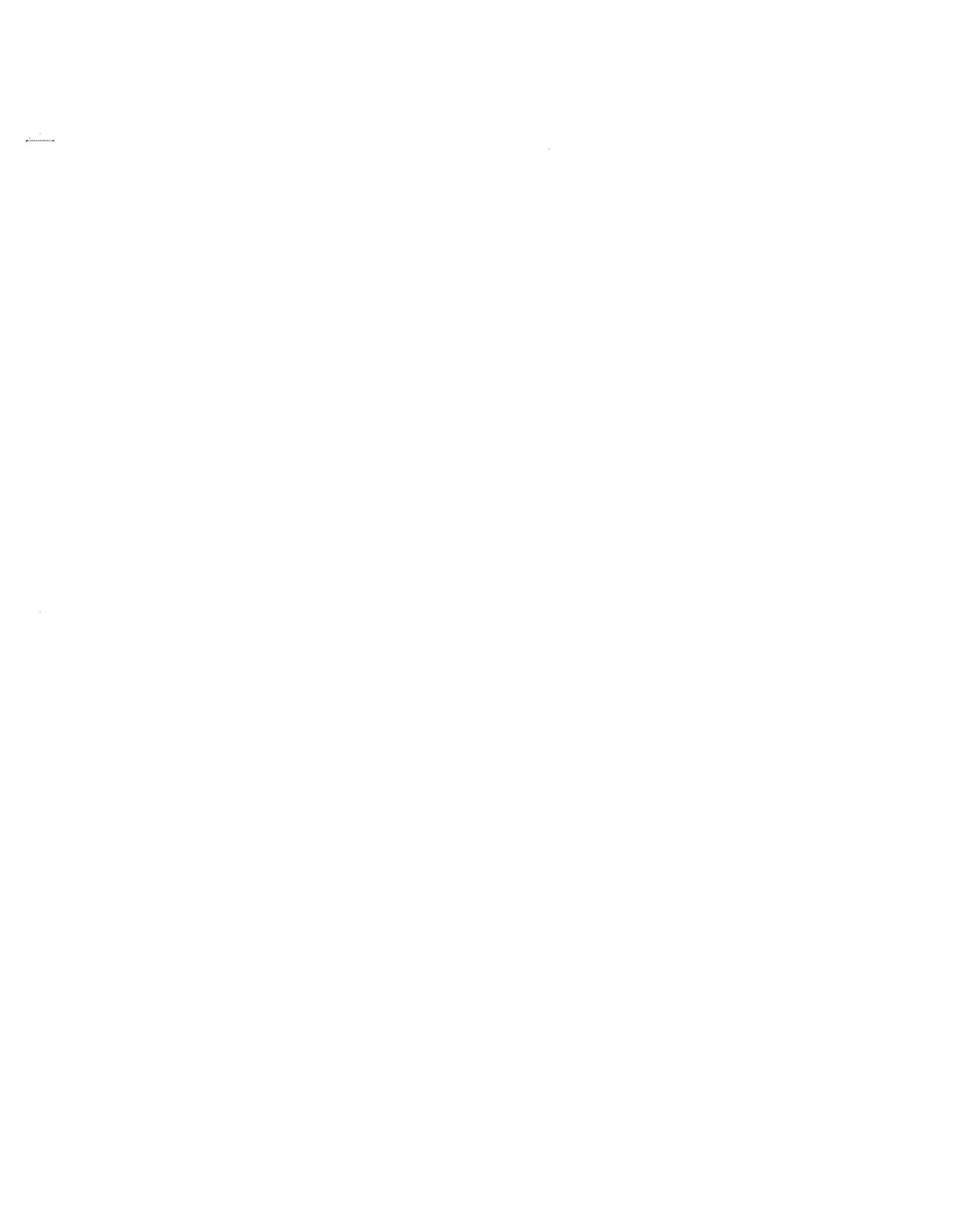
**Case No. 2007-00564**

**Question No. 111**

**Witness: Shannon L. Charnas**

Q-111. State whether the Company has forecast any non-legal removal costs that it does not regard as regulatory liabilities. Please describe these costs in detail, state fully the reason(s) for your belief that such forecast costs are not regulatory liabilities, and identify the forecast amounts of such removal costs in as much detail as is available. Provide the supporting documentation for each forecast amount.

A-111. The Company has not forecast any non-legal removal costs.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 112**

**Witness: Robert M. Conroy**

Q-112. Please provide a complete explanation of the environmental surcharge factor as mentioned on page 3 of Mr. Conroy's testimony. Explain how the depreciation rates factor into the surcharge and provide an example.

A-112. The environmental surcharge factor mentioned on page 3 of Mr. Conroy's testimony is the billing factor LG&E applies to customers' bills to recover the allowed portion of eligible environmental expenditures, in compliance with KRS 278.183 and numerous Commission Orders. The environmental surcharge factor consists of a return on environmental rate base plus eligible operating expenses, *adjusted for non-jurisdictional sales and divided by jurisdictional revenues.*

Depreciation expense is included as an eligible operating expense, and rate base is reduced by accumulated depreciation. Please see the attached sample monthly filing for LG&E's Environmental Surcharge billing factor.



**RECEIVED**

FEB 22 2008

PUBLIC SERVICE  
COMMISSION

Elizabeth O'Donnell, Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

**Robert M. Conroy**  
Manager - Rates  
T 502-627-3324  
F 502-627-3213  
robert.conroy@eon-us.com

Attention: Mr. Isaac S. Scott

February 22, 2008

RE: Monthly Environmental Surcharge Report

Dear Ms. O'Donnell:

Pursuant to KRS 278.183(3), Louisville Gas and Electric Company ("LG&E") files the original and three copies of its Environmental Surcharge Report for the month of January 2008. In accordance with the Commission's Order in the Environmental Surcharge cases, most recently Case No. 2006-00208, LG&E has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after March 4, 2008.

Please contact me if you have any questions about this filing.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. M. Conroy'. The signature is fluid and cursive.

Robert M. Conroy

Enclosures

ES FORM 1.00

**LOUISVILLE GAS AND ELECTRIC COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

**Calculation of Monthly Billed Environmental Surcharge Factor - MESF  
For the Expense Month of January 2008**

$$\text{MESF} = \text{CESF} - \text{BESF}$$

Where:

CESF = Current Period Jurisdictional Environmental Surcharge Factor

BESF = Base Period Jurisdictional Environmental Surcharge Factor

Calculation of MESF:

CESF, from ES Form 1.10	=	3.47%
BESF, from Case No. 2006-00130	=	3.39%
MESF	=	0.08%

Effective Date for Billing: March billing cycle beginning March 4, 2008

Submitted by: \_\_\_\_\_

Title: Manager, Rates

Date Submitted: February 22, 2008

**LOUISVILLE GAS AND ELECTRIC COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

Calculation of Total E(m) and  
Jurisdictional Surcharge Billing Factor

For the Expense Month of January 2008

**Calculation of Total E(m)**

$E(m) = \{(RB / 12) (ROR + (ROR - DR)(TR / (1 - TR)))\} + OE - BAS$ , where  
RB = Environmental Compliance Rate Base  
ROR = Rate of Return on the Environmental Compliance Rate Base  
DR = Debt Rate (both short-term and long-term debt)  
TR = Composite Federal & State Income Tax Rate  
OE = Pollution Control Operating Expenses  
BAS = Total Proceeds from By-Product and Allowance Sales

<i>Environmental Compliance Plans</i>		
RB	= \$	228,186.714
RB / 12	=	19,015.560
$(ROR + (ROR - DR)(TR / (1 - TR)))$	=	11.23%
OE	=	844,587
BAS	=	-
E(m)	= \$	2,980,034

**Calculation of Jurisdictional Environmental Surcharge Billing Factor**

Jurisdictional Allocation Ratio for Expense Month	=	77.48%
Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$	2,308,930
Adjustment for Monthly True-up (from Form 2.00)	=	(31,013)
Adjustment for Under-collection, if Ordered	=	-
Prior Period Adjustment (if necessary)	=	-
Net Jurisdictional E(m) = Jurisdictional E(m) minus Adjustment for Monthly True-up plus/minus Prior Period Adjustment	= \$	2,277,917
Jurisdictional R(m) = Average Monthly Jurisdictional Revenue for the 12 Months Ending with the Current Expense Month	= \$	65,652.037
Jurisdictional Environmental Surcharge Billing Factor: Net Jurisdictional E(m) / Jurisdictional R(m) ; as a % of Revenue	=	3.47%

**LOUISVILLE GAS AND ELECTRIC COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

Revenue Requirements of Environmental Compliance Costs  
For the Expense Month of January 2008

**Determination of Environmental Compliance Rate Base**

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$ 239,576,506	
Eligible Pollution CWIP Excluding AFUDC	18,072,277	
Subtotal		\$ 257,648,783
Additions:		
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33	-	
Cash Working Capital Allowance	407,321	
Deferred Debit Balance -- Mill Creek Ash Dredging	3,754,938	
Subtotal		4,162,259
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	22,522,660	
Pollution Control Deferred Income Taxes	11,101,668	
Subtotal		33,624,328
Environmental Compliance Rate Base		\$ 228,186,714

**Determination of Pollution Control Operating Expenses**

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ 68,962
Monthly Depreciation & Amortization Expense	607,480
less investment tax credit amortization	-
Monthly Property and Other Applicable Taxes	29,073
Monthly Insurance Expense	-
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	-
Monthly Permitting Fees	-
Amortization of Monthly Mill Creek Ash Dredging	139,072
Less : Operating Expenses Associated with Retirements or Replacements Occuring Since Last Roll-In of Surcharge into Existing Rates	-
Total Pollution Control Operations Expense	\$ 844,587

**Proceeds From By-Product and Allowance Sales**

	Total Proceeds
Allowance Sales	\$ -
Scrubber By-Products Sales	-
Total Proceeds from Sales	\$ -

**True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences**

A. MESF for two months prior to Expense Month	2.08%
B. Net Jurisdictional E(m) for two months prior to Expense Month	3,522,522
C. Environmental Surcharge Revenue, current month (from ES Form 3.00)	1,433,665
D. Retail E(m) recovered through base rates (Base Revenues, ES Form 3.00 times 3.39%)	2,119,870
E. Over/(Under) Recovery due to Timing Differences ((D + C) - B)	31,013
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Plant, CWIP & Depreciation Expense

For the Month Ended: January 31, 2008

(1) Description	(2) Eligible Plant In Service	(3) Eligible Accumulated Depreciation	(4) CWIP Amount Excluding AFUDC	(5) Eligible Net Plant In Service	(6) Deferred Tax Balance as of 1/31/2008	(7) Monthly ITC Authorization Credit	(8) Monthly Depreciation Expense	(9) Monthly Property Tax Expense
<b>2001 Plan:</b>								
Project 6 - LGE NOx	\$ 192,860,844	\$ 22,463,223	\$ -	\$ 170,397,620	\$ 10,566,668		\$ 450,398	\$ 21,356
Subtotal	192,860,844	22,463,223	-	170,397,620	10,566,668		450,398	21,356
Less Retirements and Replacement resulting from implementation of 2001 Plan	(5,850,967)	(2,914,284)	-	(2,936,683)	(1,053,285)		(13,202)	(338)
<b>Net Total - 2001 Plan:</b>	\$ 187,009,877	\$ 19,548,940	\$ -	\$ 167,460,937	\$ 9,513,404		\$ 437,196	\$ 21,017
<b>2003 Plan:</b>								
Project 7 - Mill Creek FGD Scrubber Conversion	\$ 30,861,686	\$ 6,191,321	\$ -	\$ 24,670,365	\$ 809,182		\$ 115,079	\$ 3,098
Project 8 - Precipitator Upgrades - All Plants	11,829,133	1,679,018	-	10,250,115	812,305		28,278	1,285
Project 9 - Clearwell Water System - Mill Creek	1,197,310	287,921	-	899,389	24,361		5,388	113
Project 10 - SO <sub>2</sub> Absorber Trays - Mill Creek 3 & 4	2,734,621	909,698	-	1,824,723	75,009		11,303	230
Subtotal	46,722,750	9,078,158	\$ -	37,644,592	1,720,858		\$ 160,078	\$ 4,726
Less Retirements and Replacement resulting from implementation of 2003 Plan	(7,839,520)	(6,665,433)	-	(1,174,087)	(796,041)		(27,126)	(387)
<b>Net Total - 2003 Plan:</b>	\$ 38,883,230	\$ 2,412,725	\$ -	\$ 36,470,505	\$ 924,816		\$ 132,902	\$ 4,339
<b>2005 Plan:</b>								
Project 11 - Special Waste Landfill Expansion at Mill Creek	\$ 2,282,981	\$ 162,965	\$ 772,145	\$ 2,892,161	\$ 98,936		\$ 5,568	\$ 362
Project 12 - Special Waste Landfill Expansion at Cane Run Station	2,988,137	76,050	265,700	3,177,787	86,382		7,022	397
Project 13 - Scrubber Refurbishment at Trimble County Unit 1	855,968	3,713	(2,240)	850,015	9,108		2,475	114
Project 14 - Scrubber Refurbishment at Cane Run Unit 6	308,507	11,704	-	296,803	19,142		560	37
Project 15 - Scrubber Refurbishment at Cane Run Unit 5	7,361,078	487,389	-	6,873,689	468,681		21,286	862
Project 16 - Scrubber Improvements at Trimble County Unit 1								
Subtotal	13,796,671	741,822	1,035,605	14,090,455	682,450		\$ 36,911	\$ 1,772
Less Retirements and Replacement resulting from implementation of 2005 Plan	(672,468)	(212,475)	-	(459,994)	(57,610)		(1,879)	(58)
<b>Net Total - 2005 Plan:</b>	\$ 13,124,203	\$ 529,347	\$ 1,035,605	\$ 13,630,461	\$ 624,840		\$ 35,032	\$ 1,714

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Plant, CWIP & Depreciation Expense

For the Month Ended: January 31, 2008

(1) Description	(2) Eligible Plant in Service	(3) Eligible Accumulated Depreciation	(4) CWIP Amount Excluding AFUDC	(5) Eligible Net Plant in Service	(6) Deferred Tax Balance as of 1/31/2008	(7) Monthly ITC Amortization Credit	(8) Monthly Depreciation Expense	(9) Monthly Property Tax Expense
				(2)-(3)+(4)				
<b>2006 Plan:</b>								
Project 18 - TC2 AQCS Equipment	\$ -	-	\$ 15,715,156	\$ 15,715,156	-		-	1,728
Project 19 - Sorbent Injection	-	-	1,317,719	1,317,719	-		-	209
Project 20 - Mercury Monitors	162,048	7,141	3,786	158,703	4,527		1,465	20
Project 21 - Mill Creek Opacity and Particulate Monitors	397,148	24,508	-	372,640	34,081		884	47
<b>Subtotal</b>	<b>\$ 559,195</b>	<b>\$ 31,649</b>	<b>\$ 17,036,671</b>	<b>\$ 17,564,218</b>	<b>\$ 38,607</b>		<b>\$ 2,350</b>	<b>\$ 2,004</b>
Less Retirements and Replacement resulting from implementation of 2006 Plan	-	-	-	-	-		-	-
<b>Net Total - 2006 Plan:</b>	<b>\$ 559,195</b>	<b>\$ 31,649</b>	<b>\$ 17,036,671</b>	<b>\$ 17,564,218</b>	<b>\$ 38,607</b>		<b>\$ 2,350</b>	<b>\$ 2,004</b>
<b>Net Total - All Plans:</b>	<b>\$ 239,576,506</b>	<b>\$ 22,522,660</b>	<b>\$ 18,072,277</b>	<b>\$ 235,126,122</b>	<b>\$ 11,101,668</b>		<b>\$ 607,480</b>	<b>\$ 29,073</b>

**LOUISVILLE GAS AND ELECTRIC COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**  
Inventory of Emission Allowances

For the Month Ended: January 31, 2008

Vintage Year	Number of Allowances		Total Dollar Value Of Vintage Year		Comments and Explanations
	SO <sub>2</sub>	NOx Annual	SO <sub>2</sub>	NOx Annual	
Current Year	193,162	-	\$ 8,744	\$ -	
2009	64,864				
2010	62,379				
2011	62,379				
2012	62,379				
2013	62,379				
2014	62,379				
2015	62,379				
2016	62,379				
2017	62,379				
2018	62,379				
2019	62,379				
2020	62,379				
2021	62,379				
2022	62,379				
2023	62,379				
2024	62,379				
2025	62,379				
2026	62,379				
2027	62,379				
2028 - 2037	623,790				

In the "Comments and Explanation" Column, describe any allowance inventory adjustment other than the assignment of allowances by EPA. Inventory adjustments include, but are not limited to, purchases, allowances acquired as part of other purchases, and the sale of allowances.

ES FORM 2.31

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Inventory of Emission Allowances (SQ) - Current Vintage Year

For the Expense Month of January 2008

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
<b>TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS</b>							
Quantity	197,543	0	4,381	0	0	193,162	
Dollars	\$ 11,459.47	\$ -	\$ 262.86	\$ -	\$ -	\$ 11,196.61	
\$/Allowance	\$ 0.06	\$ -	\$ 0.06	\$ -	\$ -	\$ 0.06	
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity	190,088	0	4,360	0	0	185,728	
Dollars	\$ 10,788.35	\$ 1.05	\$ 39.00	\$ -	\$ -	\$ 10,750.40	
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity	7,455	0	21	0	0	7,434	
Dollars	\$ 671.12	\$ (1.05)	\$ 223.86	\$ -	\$ -	\$ 446.21	
<b>ALLOWANCES FROM PURCHASES:</b>							
<b>From Market:</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>From KU</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor

ES FORM 2.32

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Inventory of Emission Allowances (NOx) - Ozone Season Allowance Allocation

For the Expense Month of January 2008

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
<b>TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS</b>							
Quantity	8,744	0	0	0	0	8,744	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity	8,288	-	-	-	-	8,288	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity	456	0	0	0	0	456	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From KU:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

ES FORM 2.33

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
 Inventory of Emission Allowances (NOx) - Annual Allowance Allocation

For the Expense Month of January 2008

	Beginning Inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
<b>TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: COAL FUEL</b>							
Quantity	-	-	-	-	-	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS</b>							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>ALLOWANCES FROM PURCHASES:</b>							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From KU:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

ES FORM 2.40

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
**O&M Expenses and Determination of Cash Working Capital Allowance**

**For the Month Ended: January 31, 2008**

Environmental Compliance Plan	
O&M Expenses	Amount
11th Previous Month	\$ 129,073
10th Previous Month	141,068
9th Previous Month	264,691
8th Previous Month	346,546
7th Previous Month	416,724
6th Previous Month	450,242
5th Previous Month	353,650
4th Previous Month	399,170
3rd Previous Month	159,856
2nd Previous Month	158,527
Previous Month	230,990
Current Month	208,034
<b>Total 12 Month O&amp;M</b>	<b>\$ 3,258,571</b>

Determination of Working Capital Allowance	
12 Months O&M Expenses	\$ 3,258,571
One Eighth (1/8) of 12 Month O&M Expenses	1/8
<b>Pollution Control Cash Working Capital Allowance</b>	<b>\$ 407,321</b>

**LOUISVILLE GAS AND ELECTRIC COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

Pollution Control - Operations & Maintenance Expenses  
For the Month Ended: January 31, 2008

O&M Expense Account	Cane Run	Mill Creek	Trimble County	Total
<b>2001 Plan</b>				
506104 - NOx Operation -- Consumables		-	-	\$ -
506105 - NOx Operation -- Labor and Other		4,789	8,120	12,909
512101 - NOx Maintenance		17,554	5,590	23,144
Total 2001 Plan O&M Expenses		\$ 22,343	\$ 13,710	\$ 36,053
<b>2005 Plan</b>				
502006-Scrubber Operations			32,909	32,909
512005-Scrubber Maintenance			-	-
Ashpond Dredging Expense		139,072		139,072
Total 2005 Plan O&M Expenses		\$ 139,072	\$ 32,909	\$ 171,981
<b>2006 Plan</b>				
506109 - Sorbent Injection Operation		-	-	-
512102 - Sorbent Injection Maintenance		-	-	-
506110 - Mercury Monitors Operation		-	-	-
512103 - Mercury Monitors Maintenance		-	-	-
Total 2006 Plan O&M Expenses		\$ -	\$ -	\$ -
<b>Current Month O&amp;M Expense for All Plans</b>		\$ 161,415	\$ 46,619	\$ 208,034

ES FORM 3.00

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**ENVIRONMENTAL SURCHARGE REPORT**  
Monthly Average Revenue Computation of R (in)

For the Month Ended: January 31, 2008

(1) Month	(2) Kentucky Jurisdictional Revenues							(3) Non-Jurisdictional Revenues		(4) Total Company Revenues	
	(2) Basic Rate Revenues	(3) Fuel Clause Revenues	(4) DSM Revenues	(5) STOD Program Cost Recovery Factor Revenues	(6) Environmental Surcharge Revenues	(7) Total	(8) Total Excluding Environmental Surcharge	(9) Total Including Off-System Sales (See Note 1)	(10) Total	(11) Total Excluding Environmental Surcharge	
Feb-07	55,262,543	2,470,971	316,631	28,210	835,980	58,374,336	58,078,356	23,483,840	82,398,176	81,562,196	
Mar-07	52,778,199	3,005,039	275,289	27,384	836,584	56,422,485	55,595,911	18,817,628	75,235,123	74,399,539	
Apr-07	50,398,686	2,903,937	271,596	28,594	444,925	54,047,538	53,602,633	15,373,804	69,421,362	68,976,437	
May-07	52,516,638	3,542,901	287,976	29,462	718,773	57,095,751	56,378,978	11,007,686	68,103,437	67,384,684	
Jun-07	66,651,602	5,100,352	397,104	33,911	1,616,567	73,798,536	72,182,868	12,187,827	85,882,363	84,365,788	
Jul-07	72,337,129	5,058,375	456,829	35,030	1,688,880	79,576,242	77,887,362	11,499,618	90,885,960	89,268,980	
Aug-07	77,877,161	4,386,857	509,527	36,585	941,268	83,751,397	82,810,129	10,423,308	94,174,905	93,253,637	
Sep-07	77,845,147	5,859,200	507,304	38,230	597,810	84,847,692	84,249,882	7,315,821	92,165,513	91,665,703	
Oct-07	49,661,083	6,137,225	349,909	32,287	384,007	65,361,919	64,977,912	13,329,725	78,891,644	78,307,837	
Nov-07	55,913,128	2,565,421	312,306	23,334	489,473	64,699,815	64,209,342	10,694,459	75,383,274	74,863,351	
Dec-07	62,533,034	6,116,384	373,920	25,446	1,433,665	70,482,450	69,049,785	20,067,916	90,550,366	89,116,701	
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge,							\$ 65,852,037				
for 12 Months Ending Current Expense Month.											
Jurisdictional Allocation Percentage for Current Month (Environmental Surcharge Excluded from Calculations):											77.48%
Expense Month Kentucky Jurisdictional Revenues Divided by Expense Month Total Company Revenues: Column (8) / Column (11) =											
Note 1 - Excludes Brokered Sales,											
Total for Current Month = \$											\$ 574,612,118

**LOUISVILLE GAS AND ELECTRIC COMPANY  
ENVIRONMENTAL SURCHARGE REPORT**

Reconciliation of Reported Revenues

For the Month Ended: January 31, 2008

	Revenues per Form 3.00	Revenues per Income Statement
<b>Kentucky Retail Revenues</b>		
Base Rates (Customer Charge, Energy Charge, Demand Charge)	\$ 62,533,034.45	\$ 62,533,034.45
Fuel Adjustment Clause	6,116,384.04	6,116,384.04
DSM	373,919.98	373,919.98
STOD Program Cost Recovery Factor	25,446.49	25,446.49
Environmental Surcharge		1,433,664.98
Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 69,048,784.96	
<b>Non -Jurisdictional Revenues</b>		
InterSystem ( Total Less Transmission Portion Booked in Account 447)	20,067,915.72	20,067,915.72
Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 20,067,915.72	
Total Company Revenues for Environmental Surcharge Purposes =	\$ 89,116,700.68	
<b>Reconciling Revenues</b>		
Brokered	574,612.18	574,612.18
InterSystem ( Transmission Portion Booked in Account 447)		-
Unbilled		(9,269,107.00)
Merger Surcredit		(1,568,534.10)
Merger Surcredit - Non Jurisdictional		(115,178.79)
Value Delivery Surcredit		(688,603.68)
Miscellaneous		606,754.81
Total Company Revenues per Income Statement =		\$ 80,090,309.08

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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 113**

**Witness: Robert M. Conroy**

Q-113. Please provide the estimated dollar impact the new rates will have on the Environmental Surcharge.

A-113. LG&E has not calculated the impact on the environmental surcharge



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 114**

**Witness: W. Michael Winkler**

Q-114. Please provide any forecasts of environmental remediation costs. Describe fully the nature of each project. Identify the site, the amount of the cost, the timing of the expenditure, and the reason(s) for the expenditure.

A-114. The Company currently has no plans to conduct any significant future environmental remediation with respect to any specific Company facilities or property. However, in any given year, the Company conducts a number of small-scale cleanups in response to spill events. Such events typically involve limited soil excavation and disposal necessary due to releases of oil from pole-mounted transformers damaged by storms or releases of fuel at various Company facilities due to line ruptures, tank overfills and other equipment failures. Cleanup costs for individual spill incidents typically range from approximately \$1,000 to \$20,000. On average, the Company incurs a total of approximately \$50,000 annually for spill cleanups (excluding major storm events).



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Attorney General's  
Initial Requests for Information Dated February 4, 2008**

**Case No. 2007-00564**

**Question No. 115**

**Witness: W. Michael Winkler**

Q-115. Identify all directives from the Environmental Protection Agency or state environmental agencies that affect or might affect the Company's obligations to incur environmental remediation costs. Describe fully the likely effect on LG&E. Quantify any associated costs.

A-115. By letter dated October 26, 2005, the U.S. Environmental Protection Agency (EPA) notified approximately 400 companies, including LG&E, that they are potentially responsible parties for the Mercury Refining Site in Albany County, New York. LG&E and approximately 300 other parties have subsequently entered into a de minimis party consent order in which they agree to reimburse the EPA for past and future response costs. LG&E's payment will be approximately \$1,300. The EPA has published notice of the proposed consent order in the Federal Register, but has yet to finalize the consent order.

In 1999, the Kentucky Environmental and Public Protection Cabinet (KEPPC) approved a management and closure plan for LG&E's 7<sup>th</sup> & Ormsby site, in Jefferson County, Kentucky, in which LG&E proposed a risk-based closure of the site and long-term groundwater monitoring to demonstrate that the site posed no threat to the environment. In 2005, the KEPPC requested that LG&E conduct groundwater remediation to mitigate contaminants identified in the groundwater. Later in 2005, LG&E conducted chemical oxidation treatment of the groundwater at a cost of approximately \$32,500. LG&E has advised the KEPPC that it has completed all required groundwater remediation measures, but to date has received no response from the KEPPC. Though groundwater monitoring will continue for the site, LG&E does not currently anticipate additional remediation costs.